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Economic Survey of Asia and the Far East 1955

UNITED NATIONS

BANGKOK 1956

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ECONOMIC SURVEY OF ASIA AND THE FAR EAST 1955

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LETTER OF TRANSMITTAL

Bangkok, Thailand
20 December 1955

Sir,

In November 1947 during its second session the Economic Commission for Asia and the Far East adopted a resolution E/CN.11/63 which recommended that the Secretariat publish a comprehensive annual survey of economic conditions and problems of the countries within the scope of ECAFE.

In accordance with the above resolution, I have the honour to transmit to you the ninth *Survey* prepared by the Secretariat on its own responsibility. The Commission is aware that the views expressed in the *Survey* should not be attributed to the Commission or to its member governments.

This *Survey*, following the pattern set in the 1953 *Survey*, gives in Part II an analysis of recent economic developments in individual countries of the region. Part I on the regional situation includes, in addition to the usual review of the current economic situation, a chapter on post-war economic progress in countries of the region.

I have the honour to be, Sir,
Your obedient servant,
(*Signed*) P. S. LOKANATHAN
Executive Secretary
Economic Commission for Asia and the Far East

The Honourable Dag Hammarskjöld
Secretary-General
United Nations, New York

GENERAL EXPLANATORY NOTES

Fiscal year and currency

	Fiscal year	Currency	Symbol of currency	U.S. cents per unit of currency at end of September 1955
Afghanistan	21 March—20 March	Afghani	Afg.	5.882[a]
Burma	Apr—Mar (1935-41), Oct-Sep (from 1945)	Kyat	K.	21.00
Cambodia	Jan—Dec	Riel	Ri	2.857
Ceylon	Oct—Sep	Rupee	Rs.	21.00
China: Taiwan	Jan—Dec (up to 1953), Jan—Jun (1954), Jul—Jun (from July 1954)	New Taiwan Dollar	NT$	6.43[a]
Mainland	Jan—Dec	Yuan	Yuan	2.355
Hong Kong	Apr—Mar	Hong Kong Dollar	HK$	17.50
India	Apr—Mar	Rupee	Rs.	21.00
Indonesia	Jan—Dec	Rupiah	Rp.	8.772[a]
Japan	Apr—Mar	Yen	Y.	0.2778
Korea (Republic of)	Apr—Mar (up to 1953/54), Apr 1954—Jun 1955, Jul—Jun (from July 1955)	Hwan	H.	0.5555[a]
Laos	Jan—Dec	Kip	Kp	2.857
Malaya and British Borneo	Jan—Dec	Malayan Dollar	M$	32.67
Nepal	Jul—Jun	Mohur	Mohur	14.00[a]
Pakistan	Apr—Mar	Rupee	Rs.	21.00
Philippines	Jul—Jun	Peso	P.	50.00
Thailand	Apr—Mar (up to 1939), Apr—Dec (1940), Jan—Dec (from 1941)	Baht	Baht	4.621[a]
Viet-Nam (Republic of)	Jan—Dec	Piastre	Pr.	2.857

a. For further details on the exchange rates applicable to different types of transactions in Afghanistan, the Republic of China, Indonesia, the Republic of Korea, Nepal, and Thailand see *infra*, chapters on these countries. For Indonesia and Thailand see also International Monetary Fund, *International Financial Statistics*.

Statistical tables

In order to avoid duplication, statistical tables on population, national income, production, transport, trade, balance of payments, prices, finance and labour are generally not reproduced in the text of the 1955 *Survey*, since they are published in the section on "Asian Economic Statistics" in the appendix to the *Survey*.

Units and symbols

Unless otherwise stated "tons" relate to metric tons, and "dollars" to United States dollars.
The following symbols have been used throughout:

* = average of six to eleven months.
‡ = 12 months beginning April of the year stated.
† = 12 months ending September of the year stated.
ϕ = 12 months ending June of the year stated.
§ = end of period.
I, II, III and IV for quarters of years.

Mn = million.
.. = not available.
— = nil or negligible.
r = revised figures.
Figures in italics are provisional.

A stroke (/) indicates a single crop or fiscal year, e.g., 1954/55; a hyhen (-) between two years. e.g. 1950-55, indicates the period included in the two years shown.

The term Malaya includes the Federation of Malaya and Singapore.

Rounding

Components in tables do not necessarily add up to totals, because of rounding.

Sources

Unless otherwise stated, figures used in tables of the 1955 *Survey* are from the United Nations Statistical Office, other international sources or official national sources.

ECONOMIC SURVEY

OF

ASIA AND THE FAR EAST 1955

INTRODUCTION

Economic conditions in most countries of the ECAFE region continued to be favourable in 1955 as a result of both internal and external factors. Agricultural and food production maintained approximately the level of the previous year which was a post-war record. Industrial production continued to increase though at a lower rate than in previous years. The value of foreign trade was above the 1954 level for the region as a whole and, although the trade deficit reversed its previous downward trend, the foreign exchange reserves increased in a number of countries. Countries attained a reasonable degree of monetary stability, though inflationary pressures continued in some of them which were faced with the difficult problems of defence and rehabilitation. In most countries development programmes were accelerated, and the developmental efforts of the governments were more vigorous and resulted in clearer formulation of development policies and goals.

I

The general food situation in the region remained satisfactory in 1955. The 1954/55 cereals production in the region, excluding mainland China,[1] though lower by 1.5 per cent than in 1953/54, was the second highest on record, while in mainland China it rose by over two per cent. An important development in connexion with trade in rice, the staple food of the region, was the increased reliance by deficit countries on the rice surpluses of the region. Rice imports from within the region in the first seven months of 1955 accounted for 38 per cent of the total imports of cereals, against 28 per cent in 1952. This change, brought about mainly by a reduction of export prices of rice which in 1955 were nearly 30 per cent lower than in 1953, came as a welcome relief to the rice-surplus countries whose export of rice is expected to attain a post-war high and equally to the rice-deficit countries whose foreign-exchange expenditure on rice import is expected to decline. The acute difficulties confronting the predominantly rice-exporting countries in marketing their rice have, for the moment at least, been eased; but the long-term and more basic solution of trade in rice requires understanding and adjustment of development policies in respect of food production on the part of both the traditional rice exporters and the rice importers of the region.

Production of agricultural commodities other than food items has continued to expand all through the post-war years, and remains well above the pre-war average, the only exceptions being cotton and jute of which the 1954/55 production was still lower than the pre-war average.

Nevertheless, in spite of the improvement in food and agricultural production, it remains true that the region has yet a long way to go before its food and raw material supplies can be said to match the needs of domestic consumption and of export to exchange for capitals goods or other essential imports. As of 1954/55 per capita agricultural production in the ECAFE region (excluding mainland China) was still 14 per cent below its pre-war (1934-38) level. The slow recovery of agriculture might become a serious obstacle to rapid economic development, and it is therefore encouraging to note that the emphasis in many countries continues to be on programmes of development in the agricultural sector.

Significant developments are taking place in the industrial sphere and in the improvement of the infra-structure of the economies in the ECAFE region. Industrial production has increased at a rate varying from 5 to 8 per cent over 1954 in China, India and Japan, the three countries where the region's industry is still largely concentrated, but the foundations for industrial development have been laid in many other countries in the region. The pattern of development naturally differs from country to country, depending partly upon policies but even more upon different resources endowment. The desire of countries to process their own materials and become self-sufficient in certain commodities has led to the growth of cotton-textile, paper, rubber re-milling, leather, sugar-refining, oil-pressing and other food-processing industries. Special attention is being given to the expansion of production of certain commodities basic to development, of which the outstanding example is cement. The accent on the development of cottage and small-scale industries is the result of a development policy determined by social as well as economic considerations.

The desire to increase employment, to concentrate scarce capital resources on development of power, transport and heavy industries which inevitably require large amounts of capital and to rely as far as possible upon labour-intensive industries for the supply of consumer goods has furinshed economic justification for those who on grounds of social policy would favour the retention and modernization of handicrafts and small industries. The many experiments now going on in several countries of Asia to help foster and promote the handicarfts and small business through the establishment of technical institutions for cottage industries, training centres, financial and marketing institutions and the investment of considerable public funds in this field will, if successful, not only quicken development but open a new chapter in the process of economic development of under-developed countries.

An attempt is made to offset the region's short supply of coal and fuel resources by developing hydro-electric power. It is planned to raise the present total electric power capacity by 50 per cent during the next few years; excluding Japan, the capacity is expected to be doubled to about 15 million kW. It is not surprising that the countries of the region should, in giving the highest priority to the expansion of electric power, have manifested an intense interest in the possible development for industrial purposes of atomic power which in their view is likely to revolutionize the methods of production and organization in industry and agriculture.

Not all countries are equally endowed for the development of capital goods industries, *e.g.* heavy metals and engineering and heavy chemicals, in which China, India and

1. Statistics on mainland China quoted here and throughout the *Survey* are based on official sources and are subject to the qualifications referred to in *infra*, chapter 7, China, opening footnote to the section on the mainland, p. 80.

Japan have plans for further rapid expansion. Other countries too, however, have made a small beginning. Caustic soda plants, fertilizer plants, iron and steel works, machine shops have been set up or are to be set up in Ceylon, Indonesia, Pakistan, the Philippines, etc.

In the field of transport, the vigorous and continuing efforts on the part of governments to overcome shortages of technical personnel and modernize plants and equipment with a view to aiding the balanced growth of an efficient transport system and meeting the increasing demand arising from progressive implementation of economic and social development programmes, are slowly bearing fruit. Gaps still exist and the demand for transportation is still very much in excess of available facilities; nevertheless, significant additions to the railway and highway networks and extension of navigation on inland waterways have taken place. On the whole, the inland transport economy of the region might be described as steadily improving but technical and organizational difficulties, even more than purely financial ones, seem to be the critically limiting factors.

II

World economic conditions during the year have been generally favourable to the growth of the region's trade; the demand for primary products has been strong with export prices generally at a higher level than in recent years. Rubber, tea and tin have shared in the general increase, and trade deficits of the region as a whole, although slightly up in the first half of 1955, have shown a generally declining trend. While most countries, with the exception of Burma, India, and the Philippines, found themselves with a larger volume of foreign- exchange reserves at the end of June 1955 than at the end of 1954, the increase in the foreign-exchange reserve of Japan was most notable, being over $400 million. The increase in the reserves in several countries has been mainly due to a steady rise in their exports accompanied by a decline in imports, while in others it has been attributed to a higher rise in exports than imports. A steadily increasing inflow of external aid and capital to some countries has also helped to increase or to prevent a larger reduction than otherwise of their reserves in foreign assets.

The export trade of the region has, however, improved much less than the international trade in general. The share of the ECAFE region in world exports declined from 11 or 12 per cent during the Korean war boom years 1950 and 1951 to 9 per cent in the first half of 1955. While world exports rose by 6 per cent between 1951 and the first half of 1955, exports of ECAFE countries declined by 21 per cent. Many causes, notably the end of the Korean war boom, have contributed to the region's smaller share in world exports, but this trend tends to confirm the view that in recent years trade among industrial countries has been relatively more active than trade between industrial and non-industrial countries.

There has been no significant change in the commodity pattern of export trade in which eight primary commodities account for about 60 per cent of the value. The degree of specialization is more pronounced when individual countries are separately conisdered, and this poses a problem of development policy over a long period which the countries alone can solve, having regard to the comparative long-term advantages of specialization and diversification. But some diversification within the agricultural sector is already taking place or planned.

While there has been an estimated increase of 4 per cent in the value of imports in 1955 over 1954, capital goods imports have increased at a higher rate of 9 per cent during the same period.[1] The demand for capital goods has been much more steady and continuous than for other imports, showing the influence of development programmes. Taking individual countries and areas, the share of capital goods in total imports during 1949-55 exceeded 20 per cent in Burma, China: Taiwan, India, Indonesia and the Philippines.

During the year there was general progress in liberalizing trade and payments restrictions, in eliminating discriminatory features and thus in the direction of mulutilateralism. While quantitative import restrictions were continued mostly for balance-of-payments reasons, other purposes, namely, protection of industries and transferring of trade to national traders, seemed to be gaining in importance. The use of quantitative import restrictions for protecting domestic industries was particularly important in India, Pakistan and the Philippines, and to a limited extent in Ceylon, Indonesia, and Thailand. This was tempered by a recognition of the need for replacing, where feasible, quantitative by cost restrictions.[2] Measures in this direction were taken in Indonesia and Thailand, and to a limited extent in India.

While several ECAFE countries continued to negotiate new or extend existing bilateral trade arrangements, the significant development appeared to be in the changing character and purpose of such arrangements. With the easing of supply of both capital goods and food and raw materials, the emphasis has shifted to securing markets, for capital goods on the part of industrial countries and for food and raw materials on the part of ECAFE countries. The bilateral trade arrangements of Burma, Ceylon, Indonesia and Pakistan aimed largely at securing markets for their export products, which in turn involved an acceptance by them of a commitment to import from trading partners. The problem, which was acute in specific commodity markets (for example, rice and cotton), derived largely from a high degree of export specialization in the countries concerned. Mainland China and Japan have continued to depend in a large measure on the system of bilateral trade agreements. However, the practical difficulties of, and objections to, bilateral trading are increasingly recognized by Japan; the steadily improving competitive position of Japan's exports and the substantial improvement in its foreign-exchange reserves may help to reduce its dependence on bilateral trade.

III

Countries of the ECAFE region have been subjected to inflationary and sometimes to deflationary pressures caused by the inter-play of external and internal factors, but are increasingly facing up to the problem with some degree of success. Export-oriented economies like Burma, Ceylon, Malaya and Thailand, and to a lesser extent Indonesia and Pakistan, are liable to the impact of fluctuations in the external demand for their exports, and their money incomes and money supply vary within wide limits from year to year. These countries are seeking to control the inflationary pressures by their flexible export duties, marketing boards and flexible fiscal and tax policies, but they have not successfully solved the problem of safeguarding their payments position without

1. For 11 countries or areas as given in *infra*, p. 34, table 23.
2. For instance, by imposing higher rates of tariff, special levies and unfavourable differential exchange rates etc. on less essential imports.

slowing down the rates of development when export incomes decline. A policy of spreading the use of foreign-exchange resources over a period within which fluctuations could be taken into account, combined with borrowings of foreign exchange from the International Monetary Fund when necessary, might afford a partial relief.

Development expenditures are in almost all countries of the region a major element of inflationary pressure, but as yet their impact has not been severe or adverse, and this notwithstanding the fact that a moderate degree of deficit financing has been resorted to in several countries. Better utilization of productive capacity, improved productivity and increased food production, the running down of foreign-exchange reserves and an expanding monetized economy provide the explanation.

By and large the monetary conditions in the ECAFE region have continued to be fairly stable, and available data indicate that variations in prices and cost of living have remained within fairly narrow limits. Only in south Korea, China: Taiwan, south Viet-Nam, Nepal and Cambodia, where owing to special circumstances defence and administrative expenditures have been maintained at high levels, have inflationary conditions continued during the year. The inflow of external aid has somewhat improved the situation and greater political stability will, of course, create more favourable conditions for economic development. The case of Indonesia is somewhat special; there the persistent deficit in government budgets, combined with restriction of imports, was the major factor responsible for monetary expansion and rising prices.

In all countries monetary and credit controls become more effective as experience is acquired. But the basic solution lies in creating better economic conditions and in adopting sound policies of finance and development.

Each year marks a further advance both in the formulation of development programmes and in the improvement of the machinery for planning and development. Development efforts have been intensified and become more effective. The percentage of public development expenditure to total government expenditure has increased. Excluding mainland China where this percentage is obviously the largest, India, Pakistan, Japan, Ceylon and Burma show fairly high percentages of development expenditure to total public expenditure. The main problem is not merely to maintain but also to increase substantially development expenditures.

Externally generated instability has had far-reaching effects on development efforts, particularly in the primary exporting countries; to a reduction of this instability, the Working Party on Economic Development and Planning, which met in Bangkok in November 1955, gave high priority.[1]

One of the most encouraging developments in the ECAFE region has been the organization and improvement of the institutions for mobilizing domestic savings and accelerating investment. All the ECAFE countries have shared in this improvement. The role of the central banks in the ECAFE region in savings and investment is becoming more and more important. In a few countries, the central bank is extending its conventional field of operation by assuming responsibilities for encouraging or even undertaking the financing of economic development, besides subscribing to and supporting government securities in the money market. Many countries have also established special financial institutions for the development of agricuulture and industry. Industrial finance corporations in India and Pakistan, the Rehabilitation Finance Corporation in the Philippines, the Industrial Credit and Investment Corporation in India, the proposed Industrial Bank in Pakistan and the proposed Development Finance Corporation in Ceylon, and other similar institutions elsewhere, are State-private corporations or privately-owned corporations with the right to borrow from the government and the central bank as well as from the International Bank for Reconstruction and Development. The National Small Industries Corporation of India has been set up to provide financial assistance to small industries. The financing of the agricultural sector has also received much attention in most countries of the region. The Agricultural and Cottage Industry Bank of Afghanistan, the State Agricultural Bank of Burma, the Agricultural Credit and Co-operative Financing Administration of the Philippines are examples of institutions set up specially to finance agricultural development. In addition, savings institutions have been developed and strengthened everywhere. Efforts to promote a capital market have continued. On the whole it is fair to say, as discussion by the Working Party on Economic Development and Planning brought out, that no mere improvement in financing institutions is likely to yield further substantial results in promoting savings. This conclusion should not cause surprise, as savings come largely from profits of public and private enterprises rather than from personal savings.

Some idea of the extent to which government development expenditure is financed out of current surpluses and of savings and domestic borrowings can be had from table 26 in chapter 2,[2] but it will be seen that external finance contributes a fairly significant share of the total development expenditure. The value of external financing lies in its versatility. It can be used not only to finance capital imports but also to support consumption and strengthen the general economy of the receiving country.

Obstacles to utilizing foreign governmental capital can be removed to a certain extent by better organization. It is often the case that while foreign governments or other public organizations prefer to lend in large amounts, private business men in under-developed countries require individually only small loans. The lending partner would not like to bother with the details of administering small loans, and the small private business men might not have negotiating ability. To remedy these defects, an intermediate organization may be found useful, which can on the one hand be trusted by the lending partner with a larger "package" loan, and on the other hand determine the use of such loans in small amounts. This is one of the practices followed by the Philippine government and the United States International Co-operation Administration, where the intermediate organization in question, the Industrial Development Centre, is a national organization attached to the National Economic Council.

A review of the development expenditures in countries of the ECAFE region affords ground for the hope that much preparatory work has been achieved during the last few years. There have been significant improvements in the infra-structure of the economy; skills have been developed; the institutional structure, especially in respect of financing, has been built up;

1. Report of the Working Party on Economic Development and Planning (First Meeting) to the Economic Commission for Asia and the Far East (Twelfth Session), in *Economic Bulletin for Asia and the Far East*, November 1955, p. 5, para. 24.

2. *Infra*, p. 49.

the organizational and administrative machinery has been refined and strengthened. All this points to a much surer rate of progress in the coming years.

IV

For the first time an attempt has been made in the present *Survey* to review the economic progress of the countries in the ECAFE region in the post-war period with such data as are available. Notwithstanding the limitations of data and reservations as to their value, the trend of progress is too significant to be missed. All available evidence points to a rate of economic growth which in many cases surpasses the rate of population growth. Some post-war progress is obviously of a rehabilitation and recovery type; but in more recent years, *e.g.* since 1948, it is the result of successful development efforts and capital formation. Both agricultural and industrial production have expanded, the latter more significantly than the former. However, as in the case of Pakistan, even when a high rate of industrial production has been achieved, the heavy predominance of agricultural production tends to reduce the rate of progress of domestic product as a whole.

Other more detailed indicators also reinforce the broad conclusion that some real economic progress has been achieved in the ECAFE region. Production of electricity, cement and steel has shown substantial increases during the period. Other indicators, *e.g.* transport, also pointed to the same trend. Figures of private consumption expenditure available for some countries show that they have risen markedly in Japan, the Philippines and to some extent in Ceylon, Burma and a few other countries. Per capita availability of cereals and cotton textiles shows an upward trend.

Evidence of some industrialization and economic development is afforded by trends in capital formation, as well as by the proportion of capital imports to total imports. While the rate of savings has been fluctuating on account of changes in real income caused by variations both in output and in terms of trade, it has been steadily increasing in some countries, particularly in Burma and India. Development expenditures have also been increasing in proportion to total national output in most countries and all of these evidences add up to a trend of progress.

That all this affords no ground for excessive optimism may be true; indeed, as has been pointed out so often in practically all reports on Asian economic conditions, the pre-war level of per capita agricultural production has yet to be reached. Per capita cereal consumption would have been below safety levels but for foreign aid and supplies at critical junctures. Progress has been neither adequate nor substantial. Neither is there assurance of sustained growth, nor a definate trend. For example, per capita income in some countries ceased to increase in some postwar years. Only four countries with a combined population of less than 140 million show a rate of progress during 1948-54[1] of more than 3 per cent a year on a per capita basis for gross domestic product.

But the really significant thing is perhaps that Asia seems to have emerged at last from a long period of economic stagnation and is ready for a decisive forward march towards economic development. The turning point apparently was the Korean war-boom; after 1952 countries have adjusted themselves to a lower level of export prices and economic conditions seem to have taken a definite upward turn. The improvement in fiscal and monetary controls and public administration, the progress in institutional arrangements for mobilizing domestic capital and financing agriculture and industry, the development expenditures which in some ways stimulated private investment, the increasing flow of external aid in the form of grants and loans, and above all the urge to bring about an accelerated rate of development have all helped in the process.

But the margins of advance are still narrow and insecure. The scarcity of foreign-exchange resources continues to be a threat and drag to the implementation of development programmes. There is unanimity among Asian countries that of all shortages to be removed, priority should be given to that of foreign exchange and that efforts should be concentrated on the promotion of export industries or of those whose products can replace, partly or wholly, imported essential consumer goods. But those countries will continue for a long time to depend on the more industrially advanced countries outside the region for capital equipment, technical knowledge, etc., and it would be impossible for them to pay through exports from their current production for all the imports of capital equipment, etc. needed for their development programmes. The extent to which adequate external assistance will come will determine the trend of progress in the ensuing years.

Population pressures in the region make progress more difficult, but what should encourage all those who are involved in development programmes is the fact that production has in a number of countries outpaced population during the last few years. This should give hope and strength for further effort. Countries are generally developing a population policy designed to reduce the pressure to the extent possible. In view of the divergent emotional attitudes which the subject evokes, it may be helpful to remember that while the population problem is very serious, it is economic growth which ultimately is likely to bring about a better balance between birth and death rates, and that in any case it is not so much population growth in itself that checks levels of living as low rates of savings and investment. An eclectic approach and a comprehensive social and economic policy seem to be called for.

Finally, the establishment of effective planning machinery in many countries of the region and the amount of careful and detailed thinking that has been done to pave the way for the adoption of development programmes with their flexible approaches and policies augur well for the future. Techniques of "resources budgeting" and "commodity balances" in programming and planning help the countries increase their rates of development by distributing scarce resources in the most favourable manner, while concentrating efforts on expanding the supply of "bottle-neck" commodities. Patterns of production, *e.g.* the choice between labour-intensive and capital-intensive projects, thus are conditioned by the distribution of scarce factors of production. With attention to these and other aspects of the technique of economic development, countries are steadily improving the prospects of successful implementation of their plans.

1. 1948-54 for Ceylon, Japan and the Philippines but 1948-1953 for Thailand.

Part. I.

THE REGIONAL SITUATION

Chapter I. POST-WAR ECONOMIC PROGRESS

THE ECAFE REGION IN THE POST-WAR PERIOD

An enquiry into the economic progress of the countries of the ECAFE region since the second world war encounters substantial difficulties. Foremost among these are the scarcity of statistical data and the uneven quality of such data as do exist.

A full analysis is beyond the scope of the present chapter. This is at best a note on the economic progress of the countries of the region in the decade since the war ended, and it claims no more than that the various readily available statistical series have been examined with a view to finding out what broad conclusions appear to be immediately warranted. Thus it provides at most a starting point for more detailed studies to be undertaken hereafter.

The great diversity of the region should be borne in mind in connexion with any such review. Most of the countries have a tropical climate—with the exception of China, Japan, Korea and the high mountain area of Nepal, and the northern fringes of India, Pakistan and Afghanistan. The countries vary tremendously, however, in both size and numbers of inhabitants. In area they range from China (9.7 million square kilometres), India (3.3 million square kilometres) and Indonesia (1.5 million square kilometres, on both sides of the equator) down to the small territories of Hong Kong and Singapore (about 1,000 and 750 square kilometres respectively)—the combined land area being roughly 19.2 million square kilometres, more than equal to the United States and western Europe combined.[1]

Along with the heterogeneity of size and number, certain other points should be especially remembered in assessing—especially on a comparative basis—the economic progress of the countries of the region since the second world war.

First is the fact that 10 of the 15 sovereign nations of the region have only achieved their inedependence since or after the war, and that for many of them the tasks of statehood have had to be tackled with few trained and experienced administrators on hand.

Second is the heavy damage suffered by some of the countries in the course of the second world war—Burma, China, the Philippines and Japan; also Indonesia and others —as well as the subsequent destruction followed by national partition in Korea and Viet-Nam, and civil disturbance in some other countries. This means that, for a number of the countries of the ECAFE region, economic progress has thus far had to be very largely a matter of rehabilitation and reconstruction rather than of development.

Third is the high degree of dependence of certain of these economies (although not by any means the largest of them) on their export earnings from a few key industrial raw materials or major food items. This dependence makes them extremely vulnerable to fluctuations in world markets, as was notably shown in the Korean-war boom and succeeding recession, and it makes them vulnerable too to the invention of synthetic substitutes—rayon and nylon for silk, artificial for natural rubber, chemical detergents for fats and oils, also chemically treated paper for jute, etc.

Fourth is the fact that the countries of this region—like others in other parts of the world—have been receiving external aid. The noteworthy point for the present purpose is that this aid has come to them in widely differing amounts, the bilateral aid in particular being on a highly selective basis and tending, generally speaking, to be concentrated most where emergency conditions have existed, strategic factors are involved and economies have been under great strain.

Fifth is the dual nature of many of these economies, with the older or more traditional part existing as from time immemorial on a self-sustaining basis. This subsistence sector (roughly corresponding to the "non-monetized sector") is now gradually melting away, however, as modern life comes to the villages. This creates certain problems for the measurement of growth, since in some instances what appears from the statistics to be absolute growth of the economy as a whole may be in part only a change of proportions, *i.e.* a transfer to the *exchange* economy (for which the better statistical measure exist) of parts of the subsistence economy.

Finally it is necessary to bear in mind that large percentage rates of increase do not mean very much in cases where the base figure is small. Thus, at the early stage of industrial development at which most of the countries of the ECAFE region stand, caution needs to be exercised in interpreting percentage rates of growth of individual industries, or even of industry—contrasted with agriculture—as a whole.

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1. In terms of population (total, about 1,850 million), China (590 million) and India (377 million), the two most populous countries in the world, followed by Japan (88 million), Indonesia (81 million) and Pakistan (76 million) may be contrasted with the three dependencies of Sarawak, North Borneo and Brunei at the other end of the scale (less than 1 million combined). For details, see *infra*, Asian Economic Statistics, table A.

MEASURES OF CURRENT PRODUCTION AND CONSUMPTION[1]

Domestic product statistics

Of the direct measures of current production, the most comprehensive are the gross and net product series belonging to the general category of national income statistics which constitute the basic elements of a system of national accounts.[2] If soundly constructed series of this kind were available for all the countries of the ECAFE region for the post-war decade, the task of assessing the economic progress that has occurred during these years would be greatly facilitated. What we have is a part of the picture—series of varying quality for some countries covering varying fractions of the period. Since many of these series omit either the immediate post-war years or the most recent years or both, accurate appraisal of the trend for the whole decade is difficult; also pre-war comparisons are sometimes not possible.

Table 1 sets forth the available data on trends in aggregate output in 9 ECAFE countries during this period. Wherever figures for gross domestic product at market prices[3] are available, these are used in the table rather than other possible measures of aggregate output (*e.g.* net domestic product or gross national product or national income). The available figures in current prices[4] have here been roughly converted to constant (1948) prices to obtain an approximation of output trends in real terms.[5] The second section of the table expresses the same data in index-number form, with the year 1948 shown as 100. The third section gives the per capita products.

Taking the figures in this table at face value, the countries concerned have all, except South Korea, increased their production since 1948. According to the latest available estimates (which in some cases unfortunately are only for 1953), the total percentage increases above 1948 (or 1949) run from 3 per cent to 64 per cent. Very substantial gains were registered before 1948 in countries that have published data for those early post-war years. It will be seen that Japan did not surpass its pre-war aggregate production until 1953, and did not recover its pre-war per capita output within the period under review; and that Burma, heavily damaged by war and then retarded by insurrections, is still some distance short of regaining even its aggregate pre-war level of output. Production in some countries rose and fell again strikingly with the onset and cessation of the Korean-war boom.

For examining the rates of growth in production achieved by the different countries, according to these estimates, on the average over the varying periods recorded, table 2 provides a better basis. Here the data from table 1 have been rearranged to show the production increases in terms of average annual rates of increase of both aggregate and per capita output. Secondly, table 2 distinguishes between rates of increase for the entire post-war periods covered by the estimates and rates of increase from 1948 on, thus allowing the very rapid gains that sometimes occurred in the immediate post-war rehabilitation period to be more or less excluded for purposes of identifying rates of developmental growth as such. Annual rates of increase (or decrease) from the pre-war year 1938 also are shown where availability of comparable data permits.

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1. The concept of economic progress has the growth of real output or income per capita as its main component; without such growth there would be, at best, stagnation, while if such growth is taking place, there is a strong presumption of progress. Yet individuals and societies tend to demand qualitative improvement also. Qualitative improvement is more subjective than growth and more difficult to measure but it is part of the idea of moving forward. In short, economic progress appears to mean evolution toward something that is bigger *and better*.

   As to the former—in addition to the actual or overt growth of current production and consumption, there is also to be considered the latent or implied growth of an economic system which depends on the extent to which provision is currently being made for larger future production and consumption. This happens most obviously by means of capital formation but also in many rather subtle ways some of which cannot be shown statistically.

   When it comes to qualitative improvement—on which there is some evidence, to be mentioned later—the analyst's hazards naturally loom larger. A reduction of economic instability perhaps represents qualitative improvement rather than quantitative growth of the economic system. (Judgment on this would largely depend on judgment as to whether instability tends to reduce or to increase the quantity of output averaged over the years.) Aside from this and other possibilities, there is the distributive or social-justice aspect of qualitative improvement, which can be seen to be a vital part of economic as well social progress. However, care must be taken, in this field, to avoid judging one country by another's standards. Also, the value of any type of qualitative improvement will be less clear if it results in slower growth of per capita real output or income.

2. See "Methods of national income statistics in ECAFE countries" (E/CN. 11/STAT/Conf.3/4); see also the evaluation in *Economic Survey of Asia and the Far East, 1950*, chapter on national income, pp. 105-107 especially.

3. Total production of goods and services within the geographic boundaries of the country concerned, without deduction for depreciation and indirect taxes.

4. For the national estimates in current prices, see *infra*, Asian Economic Statistics, table M.

5. Except for Burma, India and Japan where national-income statistics in real terms are prepared by the governments, and for Korea (South) where the statistics are given in current US dollars, domestic products in real terms as here presented are rough estimates obtained by deflating the data expressed in current prices by the cost-of-living index. Apart from the fact that this index, even if well constructed, is not closely adapted to deflating capital formation, many of these cost-of-living index numbers do not have sufficient coverage for properly deflating even private consumption expenditures. For these reasons, in addition to weaknesses in the population estimates, the results given here must be treated as rough approximations only.

   It is important to note that measures of domestic product in real terms do not take into account the quantum of exports as such but rather the quantum of imports obtained with exports; in other words, variations in the terms of trade, which do not affect production indexes, do affect the size of real domestic product. Further analysis would therefore be desirable in order to separate out the terms-of-trade effect in the trends of real domestic product of the countries of the region for this whole period from the production effect as such, especially since the former is less under control than the latter, and is likely to prove far more variable over time. See "Gains from trade in ECAFE countries, July 1950 to June 1953", *Economic Bulletin for Asia and the Far East*, vol. V, No. 1, May 1954, pp. 21-28.

TABLE 1
GROSS REAL DOMESTIC PRODUCT AT MARKET PRICE[a]

	Burma	Ceylon	India	Japan	Korea[b] (South)	Malaya	Pakistan[c]	Philippines	Thailand
IN MILLION UNITS OF CURRENCIES									
	Kyat	Rupee	Rs '000	Y '000	US$	M$	Rupee	Peso	Baht
1938	4,945	1,758	..	4,091	..	..	..	..	11,975
1946	..	..	..	2,061	..	..	..	3,357	12,015
1947	3,022	2,587	..	2,269	..	..	..	5,815	15,839
1948	3,557	2,817	94.2	2,667	..	..	..	6,423	18,457
1949	3,200	3,108	96.6	2,790	1,770	3,777	16,814	6,845	23,124
1950	3,038	3,901	96.6	3,178	..	5,292	17,988	7,154	25,854
1951	3,431	4,344	100.9	3,647	..	5,654	18,532	7,402	25,084
1952	3,651	4,194	103.9	4,021	1,384	4,601	17,902	8,064	23,605
1953	4,012	4,219	107.9	4,409	1,721	4,346	17,239	8,814	25,078
1954	4,142	4,622	..	4,345	1,641	..	..	9,182	..
1955[d]	4,354	..	..		1,752	..	..	..	..
BASE: 1948 = 100[e]									
1938	139	62	..	153	..	..	..	..	65
1946	..	..	..	77	..	..	..	52	65
1947	85	92	..	85	..	..	..	91	86
1948	100	100	100	100	..	..	..	100	100
1949	90	110	103	105	100	100	100	107	125
1950	85	138	103	119	..	140	107	111	140
1951	96	154	107	137	..	150	110	115	136
1952	103	149	110	151	78	122	108	126	128
1953	113	150	114	165	97	115	103	137	136
1954	116	164	..	163	93	..	..	143	..
1955[d]	122	..	..	..	99	..	..	..	..
PER CAPITA PRODUCT									
1938	313	303	..	58.00	..	..	..	..	812
1946	..	..	..	27.19	..	..	..	182	705
1947	169	376	..	29.05	..	..	..	310	906
1948	196	398	269	33.33	..	..	..	336	1,036
1949	175	426	273	34.12	87	622	225	351	1,274
1950	164	517	270	38.34	..	847	238	360	1,398
1951	184	561	279	43.26	..	886	242	365	1,331
1952	194	528	283	47.02	64	699	231	391	1,230
1953	211	517	290	50.85	78	636	220	419	1,282
1954	215	551	..	51.53	73	..	..	428	..
1955[d]	..	..	..	..	76	..	..	..	..

Sources and time reference: see *infra*, Asian economic statistics, table K.

a. Rough estimates by deflating the data at current prices by cost-of-living or consumer price index for Ceylon, Indonesia, Malaya, Pakistan and the Philippines. Figures in real terms are at prices of 1948.

b. Gross national product at current prices. Calendar year for 1949-1953, fiscal year ending June of the year given for 1954 and 1955.

c. Net domestic product.

d. Projected.

e. 1949=100 for Korea (South), Malaya and Pakistan.

TABLE 2
POST-WAR CHANGES IN AGGREGATE AND PER CAPITA GROSS DOMESTIC PRODUCT[a]

Countries	Currency	At price of	Post-war period covered	Annual rate of increase in G.D.P. (%)			Annual rate of increase in per capita G.D.P. (%)		
				From 1938	From initial post-war year	From 1948	From 1938	From initial post-war year	From 1948
Burma	Kyat	1948	1947—1954	—1.1	4.6	2.6	—2.4	3.6	1.6
Ceylon	Rupee	1949	1947—1954	6.2	6.6	6.6	3.8	5.6	5.6
India	Rupee	1948	1948—1953	..	2.8	2.8	..	1.5	1.5
Japan	Yen	1948	1946—1954	0.4	9.8	6.5	—1.0	7.7	6.8
Korea (South)	US$	Current year	1949—1954	..	—1.3	—1.3[b]	..	—3.6	—3.6[b]
Malaya	M$	1948	1949—1953	..	3.6	3.6[b]	..	0.6	0.6[b]
Pakistan	Rupee	1949	1949—1953	..	0.6	0.6[b]	..	—0.6	0.6[b]
Philippines	Peso	1948	1946—1954	..	13.4	6.1	..	11.3	4.1
Thailand	Baht	1948	1946—1953	5.1	11.1	6.3	3.1	8.9	4.4

a. Net domestic product for Pakistan; gross national product for Korea (South).

b. From 1949.

For production aggregates, the table indicates that, from 1948 to the latest year available in each case: (1) an average annual rate of growth above 8 per cent was maintained by Ceylon and Japan, and a rate above 6 per cent by Thailand and the Philippines; (2) Malaya (data from 1949), India and Burma had annual rates of growth of about 3 or 4 per cent;[1] (3) Pakistan's total output increased only slightly in these estimates for the period shown;[2] and (4) South Korea's output, measured over the period 1949-1954, had a slight net decline. (Behind this, however, lies the fact, brought out by table 1, that a big decrease to 1952 was followed by rapid recovery after the Korean war ended).

As might be expected, the annual rates of increase tend to be higher when measured from an early post-war year instead of from 1948. The difference is particularly striking for the Philippines and for Thailand. Measured from 1946, the Philippines had the highest annual rate of growth of any country in the region—a rate above 13 per cent. The main basis for the steep initial climb in this case undoubtedly was the prostrate condition of much of the Philippine economy immediately after the war, which it was possible to begin to rehabilitate rather promptly. In the case of Thailand, the main explanation appears to be the higher rate of increase in the export price and quantity of rice up to 1948.

Per capita growth, of course, is a better index of progress than aggregate growth. Indeed, the latter without the former would hardly be progress at all, and might rather be considered to be retrogression. It is instructive to see, by comparing the final columns of table 2 with those already referred to, the extent to which population increase reduces the annual rates of per capita product growth below the annual rates of aggregate product growth discussed above. While the rates are lowered somewhat in all cases, the effect is naturally most striking for countries or areas with unusually high rates of population increase. Thus for Ceylon and Malaya, in particular, the rate of per capita increase is much below the rate of aggregate increase.[3]

On a per capita output basis, from 1948, annual rates of growth of 5.5 to 6.8 per cent are shown for Japan and Ceylon. The rate then drops to 4.4 per cent for Thailand and 4.1 per cent for the Philippines, and the other countries are ranged below 2 per cent. Such comparatively small gains—if these figures even approximately reflect the true facts—afford no basis for satisfaction.

Production indexes

After measures of output as a whole may be considered the major partial measures of real output provided by agricultural and industrial production indexes. Agricultural production indexes compiled by FAO[4] are available for most countries for the period from crop year 1946/47 to crop year 1954/55; for reasons already given, however, the period from 1948/49 is of greater interest here. Industrial indexes, available for a smaller number of countries, usually cover the years 1948-54. From both these indexes the annual rates of increase have been computed and are presented in table 3, with the annual rate of change in aggregate gross domestic product repeated in the final columns to facilitate comparison.

1. In India, judging from other recent data, it seems probable that the annual rate of growth from the start of the first five-year plan in 1950 down to 1954 inclusive has been slightly higher than shown in this table for 1948-53—about 3.5 per cent in the aggregate and 2 per cent on a per capita basis. Similarly, the Indian agricultural production index appears to have risen in 1950-54 at an annual rate of nearly 5 per cent, and the industrial production index at an annual rate of about 8.5 per cent—both higher than the corresponding average rates of increase since 1948 shown in table 3. In Burma, as can be seen from table 1, the average annual rate of increase is reduced by inclusion of the 1948-50 period, when insurrections were widespread; the rate if measured from 1950 would be much higher.
2. Adverse terms of trade associated with a declining price of jute undoubtedly played a part. (See table 3, where the domestic product figure, from 1948, might otherwise have been expected to be slightly larger than the corresponding agricultural index figure—considering the industrial gains—instead of slightly smaller.)
3. See "Acceleration of population growth in ECAFE countries since the second world war", *Economic Bulletin for Asia and the Far East*, Vol. VI, No. 1, May 1955, p. 5, table 3, where rates of natural increase for the post-war period for Malaya and Ceylon are shown as 30 and 28 per thousand respectively. Mention may also be made of Hong Kong where, largely because of heavy immigration, the annual rate of population growth in 1948-52 is estimated on the basis of official population statistics at close to 60 per thousand. The annual rate of increase of gross domestic product for Hong Kong is roughly estimated at 4.3 per cent for 1948-52, and in this period the estimated product on a per capita basis actually decreased.
4. Because of differences in compilation methods the FAO indexes may move somewhat differently from indexes constructed by governments.

TABLE 3

ANNUAL RATE OF INCREASE OF AGRICULTURAL AND INDUSTRIAL PRODUCTION IN POST-WAR YEARS

(per cent)

	Agricultural production index		Industrial production index	Gross domestic product		
	(1946/47-1954/55)	(1948/49-1954/55)	(1948-1954)	Period	Rate of increase during period	Rate of increase from 1948 to final year
Burma	3.7	1.6	..	1947-54	4.6	2.6
Ceylon	3.5	3.9	..	1947-53	8.6	8.6
China:						
Taiwan	10.9	6.8	22.0	1946-54	13.4	12.0
Mainland	4.9[a]	3.4[a]	18.4[b]	..	..	..
India	2.1	3.2	5.2	1948-53	2.8	2.8
Indonesia	8.2	7.3	10.3[c]	..	..	..
Japan	5.5	4.6	18.6	1946-54	9.8	8.5
Korea, South	4.6	0.2	..	1949-54	—1.3	—1.3[d]
Malaya	4.9	—1.2	..	1949-53	3.6	3.6[d]
Pakistan	0.6	0.8	29.9[e]	1949-53	0.6	0.6[d]
Philippines	6.1	6.7	12.7[f]	1946-54	14.5	7.6
Thailand	4.5	1.4	..	1946-53	11.1	6.3

a. Food grains only (see definition in footnote to text); average annual rate of increase in first column for 1951-1955, in second column for 1952-1955; 1955 estimated.
b. 1952-1955; 1955 estimated.
c. 1949-1954, mining only.
d. From 1949.
e. 1950-1954.
f. Two years only: 1952-1954.

The chief contribution of table 3 is that it provides information about China and Indonesia. It alo serves to some extent as commentary on the aggregate output data already reviewed. In addition, it brings out the fact that industry, from a much lower base, has come up much faster than agriculture. Even in per capita terms it is obvious that industrial production has risen markedly.

In China, fighting on the mainland ceased only toward the end of 1949, so that 1952, just before the initial year of the Central People's Government's first five-year plan, may perhaps be considered as a base roughly equivalent to 1948 for most other countries. As will be seen from the table, a very substantial average annual rate of increase is reported in the industrial-production index for mainland China.[1] No over-all index of agricultural production is available, but the official index for "food grains",[2] which occupy over 90 per cent of the total sown area, shows a moderate rate of increase. Because of the heavy predominance of the agricultural sector on mainland China, the gross domestic product, if computed for this period, would be expected to show a rise a little but not much greater than that of the index of production of food grains. For Taiwan also it will be noted that the indexes have made large advances, in particular the industrial-production index.[3]

In the case of Indonesia, the agricultural-production index shows a considerable rate of increase after the war. No industrial-production index is available, but the rate of growth shown by the mining index (available from 1949), which includes petroleum production, is quite high.[4]

For most of the other countries, it may be said that, broadly speaking, the information provided by the agricultural- and industrial-production indexes appears to be consistent with the information given in the aggregate output series. This is not the case, however, for Ceylon, Malaya and Thailand where the indicated rates of increase in gross domestic product are strikingly above those of the index of agricultural production. The main cause of the discrepancy probably is the fact that tthe agricultural-production index, being based on physical quantities, does not reflect the terms-of-trade gains in gross domestic product caused by increases in export prices of such commodities as coconut products, tea, rubber, tin and rice. Special mention should also be made of Pakistan's high rate of increase in industrial production—an annual rate of 30 per cent during 1950-1954. Here as in the case of mainland China, referred to above, and of a number of other countries of the ECAFE region today, the heavy preponderance of agricultural production tends to diminish the rate of increase of domestic product as a whole when industry is growing much faster than agriculture.

Consumption

Aggregate and average consumption data furnish an additional very rough indicator of growth in the economy as a whole and are of considerable interest in themselves, since increase in per capita consumption may be regarded as the final objective of economic growth. Certain such data are presented in table 4.

The figures showing per capita private consumption expenditure expressed in real terms cannot reflect that part of consumption which is collectively provided or enjoyed—generally speaking, the part included under government expenditure.[5] However, they have some advantages over per capita real income figures as measures of the average standard of living, in that they omit capital formation and thus come closer to reflecting the benefits that are received and felt by individuals at the time. The conclusion from the table, which from the nature of the data must be regarded as having a considerable margin of error,[6] is that private consumption expenditure in real terms has been rising rapidly in Japan and the Philippines, has also risen in Ceylon and probably to some extent in Burma, and has remained more or less constant in other countries for which these data are available.

The other two series presented in table 4 show trends in per capita availability of cereals and of cotton piece-goods. Their usefulness for the present purpose is somewhat impaired by the fact that, for want of information on fluctuations in stocks, the figures have to be given in terms of per capita shares of national availabilities rather than in terms of the amounts actually coming into consumers' hands for their use. Nevertheless, such data relating at least approximately to the staple food and chief clothing material used by the people will serve to supplement the more abstract consumption expenditure totals already discussed.

No country for which data are available shows a downward trend for either series. Siginficant gains in per capita cereal availability in the post-war years have been registered by Burma, Indonesia, Japan, the Philippines and Thailand.[7] In per capita availability of cotton piece-goods, much the largest percentage gain is recorded for Japan, with Ceylon, the Philippines and Pakistan also showing marked increases, and apparently South Korea as Well. The availability series for these two specific items appear to be generally consistent with the consumption expenditure series, except in South Korea. In addition, they provide some amplification of information on Indonesia, for which the consumption expenditure statistics are very incomplete, and insights into trends in two other countries (Pakistan and Thailand) for which consumption expenditure statistics are lacking altogether.

Other indicators

Indirect indicators of economic growth can also be used, within limits, to fill in gaps in the direct measures, especially of production, or to help confirm (or, it might be, cast some doubt on) what the direct measures show.

1. Regarding data presented in this chapter on mainland China, attention is called to *infra*, footnote at the beginning of the section on the mainland in the chapter on China.
2. Food grains are defined in mainland China as including cereals, pulses and potatoes.
3. A net domestic product series is available for Taiwan which indicates an average annual rate of growth in real terms of 12 per cent in the period 1948-54, or about 7 per cent on a per capita basis. Recent national income and product series are not available for the mainland.
4. National income and product estimates are available for Indonesia for 1951 and 1952 (as well as pre-war estimates), but the period covered is too short to establish any trend.
5. Thus for countries where government expenditures on services are increasing more rapidly than private consumption expenditures, the rate of increase of the latter understates the increase in the benefits actually enjoyed.
6. A cost-of-living-index deflator, if well constructed, is in this case satisfactory in principle, but the original figures at current prices are sometimes obtained as residuals. Where consumption estimates are more or less derived by subtraction of rough estimates of capital formation from domestic product, they are likely to be somewhat less reliable than the domestic-product estimates themselves.
7. Involuntary increase in stocks may have considerably affected the trend in Thailand particularly.

TABLE 4

INDICATORS OF PER CAPITA CONSUMPTION

	Burma	Ceylon	India	Indonesia	Japan	Korea, South	Malaya	Pakistan	Philippines	Thailand
PRIVATE CONSUMPTION EXPENDITURE IN REAL TERMS[a] *(national currency)*										
1946	..	..	..	..	18,425	..	..	..	160	..
1947	145	329	..	..	19,558	..	..	..	272	..
1948	163	351	238	..	21,784	..	..	..	282	..
1949	131	321	235	..	23,652	70.8	489	..	316	..
1950	122	379	237	..	25,768	49.5	539	..	318	..
1951	134	432	243	472	28,244	60.2	578	..	339	..
1952	136	432	232	498	32,732	63.5	506	..	352	..
1953	147	418	..	..	35,252	63.1	481	..	384	..
1954	154	395	..	..	..	..	..	..	395	..
AVAILABILITY OF CEREALS[b] *(kilogrammes per annum)*										
1947-48	128	146	135	104	154	144	149	170	125	170
1949-50	139	139	136	116	179	160	167	182	140	188
1951-52	140	140	130	127	186	155	164	168	150	183
1953-54	154	146	147	134	188	151	152	173	151	200
AVAILABILITY OF COTTON PIECE-GOODS[b] *(metres)*										
1945	..	..	11.6	..	..	..	..	..	..	..
1946	..	5.1	9.8	..	..	..	..	..	..	..
1947	..	8.5	9.7	..	..	..	..	..	..	..
1948	..	10.6	10.8	..	5.7	..	..	4.1	..	..
1949	..	13.0	9.3	..	2.7	..	..	4.5	..	..
1950	..	12.3	6.5	..	4.8	..	..	6.3	3.8	..
1951	..	10.3	8.5	..	11.7	..	..	6.3	5.5	..
1952	..	10.0	10.0	..	15.8	3.6	..	..	4.8	..
1953	..	10.0	10.4	..	20.0	5.9	..	..	5.1	..
1954	..	9.2	..	..	19.8	6.3	..	..	6.8	..

a. For conversion of expenditure to real terms, see footnote *(a)* of table 1.
b. Production plus imports less exports. For cereals, annual average for 2 years.

These indicators might be of a wide variety of types, but three general classes only will be discussed here:[1]

(1) Data on the magnitude of available productive resources or factors of production—land, labour, and capital (including data on availability of entrepreneurs, whether conceived of as belonging with capital or with labour). Major increases in, for example, land brought under cultivation or under irrigation,[2] or the exploitation of major discoveries of subsoil wealth (of which Pakistan's Sui natural gas deposit provides a notable recent instance), or of hydro-power possibilities, normally imply subsequent increases in output, other things being equal.[3] Because of the importance of increases in capital, separate treatment will be given to that subject in a later section. As far as the labour factor is concerned, the data referred to would not be limited to number of workers but would also include important evidence regarding the level of training and health of the working population.

(2) Data on the production of selected items that may be considered as key indicator of growth and development—for example, output of electric power, steel and cement. While these are direct measures of a certain part of production,[4] their special value as indicators derives not from their own representativeness or quantitative importance in production but from what they imply concerning the growth of other

1. Data on freight traffic moved by various means of transport would constitute a fourth class. For example, railway freight traffic, in ton-km, usually parallels output as a whole rather closely. Quantum indexes of export and import trade may sometimes be made use of in this same connexion, if proper allowance is made, selectively, on a country-by-country basis, for greater variability of external trade; the usefulness of such indexes for this purpose will, however, be impaired if major changes occur in the nature and extent of trade restrictions. Data on productivity might be considered a fifth class, conceptually, but since productivity indexes (available in the ECAFE region only for Japanese manufacturing and mining) are derived by dividing output by number of workers, they add nothing to knowledge of output itself. Other data on productivity are for selected individual industries only.

2. For example, the area irrigated in Thailand was 34 per cent larger in 1952 than in 1946, while in Burma there was a corresponding increase of 19 per cent. By 1956/57 it was expected that a further increase of 49 per cent in irrigated area over 1951/52 would occur in Thailand and an increase of 93 per cent in Malaya. (FAO, *Prospects for Agricultural Development in the Far East, 1953*, p. 81). In mainland China the area irrigated, already large, rose by 12 per cent from 1949 to 1952 and is expected, under the first five-year plan, to be 13 per cent greater in 1957 than in 1952.

3. Of course, this implication will not be present if the growth of resources is wasted through equal growth of unemployment or of idle capacity. Regarding subsoil wealth, it may be observed that systematic geological survey and mineral exploration have recently been intensified throughout the region.

4. Except where, *e.g.*, power capacity is used as indicator instead of power output.

industries for which they supply services or materials, or concerning the process of substituting domestic production for imports in order to save foreign exchange, a process that is frequently itself a symptom of an active development policy.

(3) Data on changes in proportions within the production system. Over reasonably long periods at least, a greater diversification of production, and a growth of secondary and/or tertiary industry relative to primary industry (agriculture, etc.), will indicate, generally speaking and subject to proper qualifications, that economic development and growth are taking place.

Table 5 brings together for a number of countries some data on production of electricity, cement and steel. In each case what is shown is the annual rate of growth of the item in question, calculated from the available data for the period and sub-periods stated. From inspection of these partial and indirect indicators of production trends, it may be said that for the most part they appear generally consistent with the industrial indexes shown in table 3.[1] The upward trends naturally tend to be considerably steeper than those for output of the entire economy. Steel and cement are in fact better indicators of capital formation than of total domestic products; electricity is perhaps best conceived of as a key pre-requisite of the infra-structure type; and all three tell more about the transformation or development going on than about the size of the product at the moment.

Changes in proportions within the production system are of general interest as indicators of growth because ordinarily and at most stages of development an increase in the weight of industry relative to that of agriculture, and also, closely related to that, a diversification of industry, will be positively correlated with growth of production as a whole. Such changes in proportions can often be seen by examining the distribution of gainfully employed by industries, or by major industrial groups. However, there are dangers in the use of this generalization; in the short run, while diversification will tend to promote balance and stability, it may even correlate negatively with current output (*i.e.*, it may instead be an intensification of specialization on such things as rubber and tin that will yield the highest quick returns). In any event, to establish a trend in the statistics for distribution of employment, two or more censuses will usually be needed, which means that we cannot use this indicator for the countries of the ECAFE region in the post-war period.[2]

Absolute figures on the number of persons employed in industry can also be compared with total population, or preferably with total labour force, to throw light on the question of proportions. Available data show that, in the period 1948-1954, employment in mining and manufacturing, resuming its trend of the 1930's which was reversed in the 1940's, grew more rapidly than population in Japan, 2.8 per cent a year a against 1.6 per cent, whereas in India population is estimated to have grown by 1.3 per cent annually during this period, and employment in mining and manufacturing by only 1.1 per cent.[3]

The region

Generalizations about a whole region as large and as diverse as the one with which we are here concerned run the risk of being very misleading. For this reason and also because of the difficulty of constructing appropriate statistical measures to show the growth of the economy of the ECAFE region in the aggregate, this analysis is, in the main, limited to individual countries taken separately. However, it should be noted that the post-war rise of agricultural production, which has been calculated for the ECAFE region excluding mainland China as an average annual rate of increase of 2.1 per cent for the period 1948/49-1954/55,[4] has not yet succeeded in restoring pre-war per capita production. Secondly, attention is directed to the absolute and percentage increases in production of selected major products of the region during the post-war period, and in relation to pre-war years, as shown in table 6.

1. They also partly fill gaps left by absence of an industrial-production index, expecially in the case of South Korea, Malaya and Thailand.

2. Japan, however, has taken several censuses since the end of he war.

3. Trends in the percentage distribution of domestic product by industrial origin can similarly be used, over periods long enough to eliminate the temporary effects of weather on agricultural output, to demonstrate diversification; due allowance must in this case be made for relative price changes. Trends in the commodity distribution of exports can also be used, although they may be greatly affected, especially in short periods, by fluctuations of world demand and prices. (See "Note on the diversification of production and trade in the ECAFE region", in *Economic Bulletin for Asia and the Far East*, vol. IV, No. 1, May 1953).

4. The annual rate of growth is 3.6 per cent when the shorter period, 1948/49-1953/54, is taken.

TABLE 5

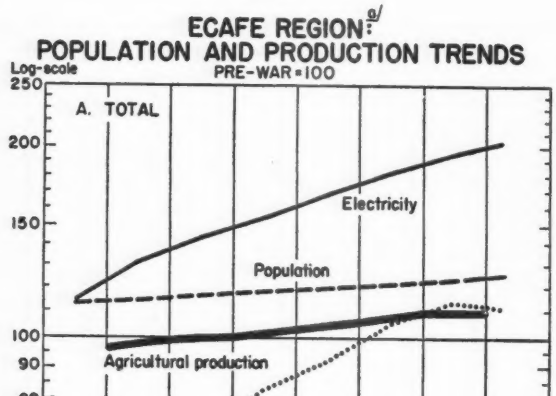
ANNUAL RATE OF INCREASE IN SELECTED INDICATORS OF INDUSTRIAL GROWTH

(per cent)

	Electricity production			Cement production			Steel ingots and metal for casting		
	1948-51	1951-54	1948-54	1948-51	1951-54	1948-54	1948-51	1951-54	1948-54
Ceylon	19.0	14.3	16.6	..	..	..	..	..	..
China: Taiwan	15.2	11.9	13.5	8.2	11.3	14.7	18.6	57.4	36.6
Mainland	..	20.5[a]	..	..	22.9[a]	..	..	26.0[b]	..
India	8.6	8.7	8.7	27.4	11.1	18.1	6.1	4.1	5.1
Japan	10.3	7.7	9.0	52.1	17.7	33.8	56.0	6.0	28.6
Korea, South	—13.6	38.9	10.6	—56.1	116.9	17.9	..	..	..
Malaya	15.6[c]	9.4	11.1[c]	—	166.7[d]	—	..	..	..
Pakistan	20.3	29.4	24.7	15.5	10.2	12.8	0.0	58.7	26.0
Philippines	11.2	12.2	11.7	28.0	0.5	17.8	..	..	..
Thailand	12.4	31.9	21.8	40.4	18.5	29.0	..	..	..
Viet-Nam	26.5	10.6	18.2	29.2	6.2	17.1	..	..	..

a. 1951-55, b. 1952-55, c. From 1950, d. 1953-54.

Chart 1



Some of the main trends are indicated in chart 1. Concerning the post-war agricultural increase in particular it should be emphasized again that translation to a per capita basis is necessary for a true appraisal of how much progress has been made. Since population has been growing at an estimated annual rate of 1.4 per cent in the ECAFE region, excluding mainland China, in the post-war period, the per capita gain in agricultural production for the period 1948/49—1954/55 was not 2.1 per cent but about 0.8 per cent only. At no time since the second world war has the pre-war per capita agricultural-production level been reached.[1] As of 1954/55 the per capita agricultural-production index for the ECAFE region, excluding mainland China, was still 14 per cent below its pre-war (1934-1938) level. Only better distribution, and sometimes foreign aid at critical junctures, has reduced the incidence of this on food consumption.

Of the individual items shown in table 6 only jute declined absolutely in the period 1948-1954; production of this fibre rose by about 40 per cent in the first three years but was cut in half thereafter. Rice production failed to gain until after 1951; for the whole period it grew less rapidly than population (which increased by about 10 per cent). Production of cereals in the aggregate, however, and of rubber (which declined in 1951-54), grew somewhat faster than population. Production of cotton, although still less in 1954 than before the war, topped the agricultural commodities in percentage increase for 1948-54 by rising 85 per cent. Most of the 1948 bench-marks for agricultural commodities were somewhat below pre-war marks, although rubber production in that year already exceeded its 1934-38 average substantially and rice and tea production were slightly up.

For industrial items the production increases between 1948 and 1954 were, as a rule, considerably greater, ranging up to 116 per cent for crude petroleum, 165 per cent for iron ore,

1. It seems clear that this general conclusion would not be affected if comparable data were available for mainland China. It may be noted that the annual rate of population increase in mainland China is recently estimated from a sample survey of 30 million at 2 per cent. (See *infra*, chapter on China.)

TABLE 6

CHANGES IN PRODUCTION OF SELECTED COMMODITIES IN THE ECAFE REGION[a]

('000 tons)

	Excluding mainland China							Including mainland China[b]		
	1938[c]	1948	1951	1954	Percentage increase 1954 over 1938	Percentage increase 1954 over 1948	Percentage increase 1954 over 1951	1951	1954	% increase 1954 over 1951
Total cereals	102,595	98,838	101,658	117,606	15	19	16	..	..	..
Rice	64,080	64,965	64,376	70,100	9	8	9	103,896[d]	116,860[d]	12
Wheat	12,111	10,453	12,138	13,440	11	29	11	28,928	36,610	27
Tea	454	468	569	600	32	28	5	..	..	..
Sugar	6,583	4,984	6,470	6,972	6	40	8	6,658	7,286	9
Vegetable oil	4,400	3,840	4,760	5,100	16	33	7	..	..	..
Cotton	1,090	553	875	1,025	— 6	85	17	1,971	2,093	6
Jute	1,526	1,392	2,023	1,090	—29	—22	—46	..	..	..
Rubber	983	1,477	1,812	1,720	75	16	— 5	..	..	..
Coal	77,459	70,949	84,164	87,212	13	23	4	135,864	172,012	27
Iron ore	3,819	1,785	4,110	5,089	33	165	24	..	..	..
Tin in concentrates (tons)	106,860	87,141	106,283	117,459	10	35	11	..	..	..
Crude petroleum	10,000	7,583	13,102	16,375	64	116	25	13,405	17,169	28
Cement	7,843	4,374	11,526	17,569	124	302	52	13,986	22,169	59
Cotton fabrics[e] (million metres)	7,141	4,926	5,938	8,101	13	64	36	7,402	10,837	46
Electricity (million kWh)	36,246	42,472	57,582	73,022	101	72	27	63,535	83,985	32

a. Crop year for agricultural products except rubber (calendar year).
b. Sources for mainland China data: *First Five-Year Plan;* 1952, 1953 and 1954 *Communiques* from the State Statistical Bureau; *infra*, chapter on China.
c. 1934-38 average for agricultural products.
d. Data for mainland China converted at the ratio of 1 paddy to 0.67 rice.
e. Factory production only.

and 302 per cent for cement. Coal, at 23 per cent, registered the smallest gain. But it is noteworthy that for all items except electricity the gain over the pre-war period was very much less than the gain over 1948; in the industrial field, even more than in agriculture, substantial further gains were required after 1948 to restore pre-war production. However, industrial production did not then slow down but continued a rather rapid climb, so that by 1954 the average percentage increase over pre-war as well as over 1948 figures was greater for industrial than for agricultural commodities.

Data for mainland China are reported, for some commodities, from 1951 only. As will be seen from the table, inclusion of these data has the effect of lowering the 1951-54 percentage rate of increase in the case of cotton but of raising the rate of increase for all the other items for which information is available.

CURRENT PROVISIONS FOR LARGER FUTURE PRODUCTION

Consistent with any given rate of growth of current output, there are many possible rates at which the economy may be currently preparing to deliver larger output in the future. Partly this is a matter of the rate of capital formation: as between two economies with equal aggregate current production, the one with the higher proportion of capital formation will have the larger future production, other things being equal. On the other hand, there are many other factors to be taken into account.[1] For either or both types of reason a number of countries of the ECAFE region that have shown only moderate actual production growth since the end of the second world war may later demonstrate that this has nonetheless been a time of much latent growth, or preparation.

Capital formation

Some of the more readily measurable aspects only of this broad question may be discussed here. Part A of table 7 shows gross domestic capital formation as a percentage of gross national product, for countries of the region that have published these two series. The percentages in question may be referred to, for convenience, as rates of capital formation. Without going into the problems connected with the estimation of capital formation, certain observations may be made regarding the size and, to some extent, the trends of these rates.

Regarding the question of size, it will be seen from the table that Japan and Burma definitely stand out as having high rate of capital formation—rates considerably above those of all the other counrties.[2]

Comparison may be made with the annual rates of growth of total production shown in table 2. No refined analysis would be warranted, but some comment is called for in connexion with the data for Burma and the Philippines. Burma's high, although formerly somewhat fluctuating, rate of gross capital formation suggests the possibility of a higher future rate of growth of output than has been recorded for past years. But it has also already played a significant part, judging by table 1, since Burma's gross real domestic product has continued to rise without interruption since 1950 in spite of the decline in the price of rice. The comparatively low rate of capital formation indicated for the Philippines since 1950 suggests that, unless the incremental capital/output ratio in that country has recently been extremely low (meaning that exceptional progress has been made through better utilization of equipment and resources on the basis of relatively small investment), a question may be involved as to the reliability of the gross product series, or of the capital formation series.

A check may also be made against the data on private consumption expenditure in table 4. Such a check suggests that the rise in private consumption has not been at the expense of capital formation in Japan but may have been in the Philippines and, to an extent, in Ceylon. It will also be seen that what the other countries have done with regard to capital formation has, generally speaking, been about as much as they could do without actually lowering real private consumption.

Any conclusions that the data of table 7, part A, may warrant regarding *future* increase in output would be of particular interest. Here it is the trends in capital formation, and the final years, that obviously count the most, since it may be assumed that much of the addition to output resulting from capital formation in the earlier years of the series will have already materialized and been reflected in figures for aggregate domestic product taken into account in table 2.[3] However, there is not much that can be added to what has already been said. The rising trend in Burma's rate of capital formation is a favourable sign—always recognizing that the outcome may actually hinge more on future foreign-exchange availabilities than on prior capital formation. There is no significant decline in the high rates of Japan. For Ceylon there has been a generally rising trend in capital formation to the lastest year shown, and for India a slowly but steadily rising trend, with possible implications for future growth of output in both cases. No additional conclusions seem warranted by the data on the other countries.[4]

1. Cf. "Problems and techniques of economic development planning and programming with special reference to ECAFE countries", in *Economic Bulletin for Asia and the Far East*, vol. VI, No. 3, November 1955, where the determinants of economic growth are considered under two major headings, the rate of capital formation and a series of "other major determinants" such as production techniques, degree of utilization of manpower and other resources, etc.—the latter all tending to affect the over-all capital/output ratio. Some of the less tangible but nevertheless highly relevant changes are in the realms of organization, legislation, customs and the psychological attitudes of the people.

2. Differences in rates of capital consumption would not affect this general conclusion, but the relative positions among countries might be modified somewhat if the rates of capital formation were shown on a net, instead of a gross, basis.

3. This, of course, is only an approximate statement. The result, in fact, depends on the "gestation periods" of the various capital expenditures involved, which, in a rough way at least, will tend to correlate with the economist's concept of the "degree of roundaboutness" of production and —more practically but still subject to a good deal of qualification—with the distinction between investment in producer-goods industries on the one hand and investment in consumer-goods industries on the other. Data assembled on the basis of the latter distinction might, if interpreted with caution, prove useful in various ways. What is known in general is that several countries of the region, including India (in the draft frame of the second five-year plan) and mainland China, are giving considerable emphasis to investment in heavy industry, which tends to have a relatively long "gestation period."

4. Capital expenditures by government likewise show a rising trend in Burma, Ceylon and India, as well as in mainland China, as a percentage both of gross national product and of total gross capital expenditure, during the years shown in table 7; also in Malaya but not in Japan or the Philippines. Government capital formation as a percentage of total capital formation has, during the years indicated, averaged below 30 per cent in the Philippines and India, between 30 and 35 per cent in Japan, Malaya and Burma, and above 40 per cent in Ceylon, as well as Indonesia for the two years shown. (Ceylon's figures, however, which give rates above 50 per cent in some years, omit the latest period in which government policies stress the promotion of private investment.) It is necessary to exercise caution in interpreting such percentages, especially for individual years, since a sharp rise, for example, may merely reflect a drop in private capital formation without any actual increase in government capital formation.

Certain further evidence on capital formation can, however, be obtained from the trade statistics, since in the case of many countries of the ECAFE region a high proportion of all capital equipment has, at present, to be imported.[1] When the trade data for Indonesia are examined, for instance, we are able to add to the limited information on this country in table 7 the fact that the value of imports of capital goods,[2] measured as a percentage of total imports, has risen very markedly over the period 1949-1955, the most recent proportion being about 30 per cent.[3] We also find that, in Pakistan, for which aggregate capital formation data are not available, imports of capital goods as a percentage of total imports have risen from about 14 per cent in 1949 to the high level of 40 per cent (preliminary estimate) in 1955. In mainland China, 88.5 per cent of imports consisted, in 1954, of the broader category of "means of production", including both capital equipment and raw materials.[4]

1. For details, see *infra*, section on international trade and payments in chapter 2.
2. Excluding raw materials.
3. It should be noted that the corresponding rate was only 15-16 per cent in 1951 and 1952, the years of the recorded low rates of capital formation shown in table 7.
4. *Infra*, chapter on China.

Savings

In part B of table 7 are presented rates of savings.[5] Attention here shifts to how capital formation has been financed. Part B of the table differs from part A in that it depicts, not the capital formation going on within the country itself (some of which may be made possible only by drawing on foreign savings)[6] but rather the resources currently made available within the country itself for capital formation purposes (some of which may be finding use abroad instead of at home); part B thus indicates, in a very rough way, the rates of capital formation that the countries themselves have been able to afford.

Comparison of the rates shown in part B with those in part A serves to divide the countries into 3 groups: (1) countries whose current capital formation has consistently exceeded their current savings: South Korea and the Philippines (although the Philippines was in the opposite group 1 year out of 8); (2) those whose current savings have consistently exceeded their current capital formation: Malaya

5. Here defined as gross capital formation plus net surplus of the nation on current account.
6. Foreign loans and grants, plus also any drawing down of the country's own foreign-exchange holdings.

TABLE 7

GROSS DOMESTIC CAPITAL FORMATION, GROSS SAVINGS AND DEVELOPMENT EXPENDITURE AS A PERCENTAGE OF GROSS NATIONAL PRODUCT

	Burma	Ceylon	India	Indonesia	Japan	Korea, South	Malaya	Philippines
A. CAPITAL FORMATION								
1938	13.0	5.9	..	..	25.9	..	..	..
1947	16.2	5.3	..	..	26.4	..	..	11.4
1948	17.0	6.3	8.3	..	28.2	..	..	12.1
1949	8.1	9.1	9.1	..	24.6	9.6	11.1	10.5
1950	10.2	10.7	9.3	..	24.9	..	5.1	8.3
1951	12.9	11.9	9.8	4.7	30.3	..	6.7	7.3
1952	18.2	13.6	10.0	5.3	26.8	5.4	12.3	7.5
1953	19.0	12.1	9.8	..	27.5	11.4	10.5	8.2
1954	21.8	10.0	..	..	23.0	7.9	..	8.4
B. SAVINGS[a]								
1938	25.1	9.0	..	..	23.3	..	..	..
1947	6.2	— 0.2	..	..	22.3	..	..	4.9
1948	10.6	7.0	5.7	..	24.1	..	..	9.0
1949	16.0	7.3	8.5	..	21.4	3.4	12.1	1.5
1950	15.2	14.6	9.7	..	27.6	..	33.1	9.0
1951	18.9	15.2	8.2	6.0	34.2	..	29.9	6.0
1952	23.5	6.4	10.9	0.4	28.3	— 6.1	17.1	6.0
1953	25.2	7.7	10.2	..	27.5	—14.8	11.2	7.0
1954	19.5	16.3	..	..	25.2	— 5.8	..	6.5
C. DEVELOPMENT EXPENDITURE[b]								
1949	..	..	..	..	..	..	..	13.3
1950	11.7	17.7	..	..	..	..	6.1	,10.9
1951	14.7	18.9	11.3	6.6	..	..	7.8	9.6
1952	20.3	21.7	11.5	8.3	..	..	15.7	9.8
1953	21.4	20.0	11.8	..	..	..	14.6	11.0
1954	25.0	17.3	..	..	..	..	..	11.4

a. Gross domestic capital formation *plus* net surplus of the nation on current account.
b. Gross capital formation *plus* current expenditure for economic and social services of government, except for the Philippines where economic service expenditure of government for 1949-1952 is not included. For Ceylon and the Philippines economic and social service expenditures are interpolated to conform to the time period for capital formation and national income data.

only; and (3) those that have shifted back and forth: Burma, Ceylon, India, Indonesia (2 years only available) and Japan. Such shifting back and forth could be due to various factors including variations in the size of foreign-exchange reserves. Generally speaking, however, the normal expectation would be that most under-developed countries, because of their need for foreign capital, would be fairly consistently in group (1) over a substantial period of time hereafter.

It will be noted that an upward trend of savings is shown for Burma and India, matching the upward trend of their capital formation. For savings in other countries it is difficult to establish any trend over the relatively short period covered by the data. The case of Malaya calls for special mention becaue it is clear from a comparison of parts B and A of table 7 how far the recent savings of that country have exceeded the amounts concurrently devoted to forming capital in, and assuring the future growth of, Malaya itself; the savings have in part gone abroad.

Development expenditures

Important as the concept of capital formation is, it must be conceded that data on the subject yield at best a far from perfect index of the provision currently being made for the sake of larger future output and income. Some forms of capital formation—for example, monumental public buildings—do not enlarge future output at all,[1] whereas some forms of current expenditure—for example, on training and public health—definitely do.[2] As was recognized in the report of the recent Budget Workshop, "development" is not necessarily restricted to "capital expenditure", nor can it, for that matter, be identified under particular functional headings.[3]

In part C of table 7 a rough approximation of developmental expenditures, as a percentage of gross national product, is presented by making them simply equal to gross capital formation, private and public combined, plus the government's current expenditures for economic and social services. Data unfortunately are not available for several countries. The most striking additions shown, on account of economic and social services of government, are those for Ceylon.[4]

In China (not shown in table 7), estimates for Taiwan are available for 1951 and 1952 only, yielding rates of 22 and 20 per cent respectively for gross capital formation, very slightly higher rates for developmental expenditure and rates of about 17 and 15 per cent respectively for gross savings. The outlay on development on the mainland, taken as the sum of expenditures on national economic construction and social, cultural and educational projects in the government's budget, almost doubled between 1952 and 1955. Data on capital formation and savings are not available.

QUALITATIVE IMPROVEMENT

In speaking of qualitative improvement one is on somewhat treacherous ground, since not only are good data particularly scarce but in addition there may be difference of opinion as to whether a certain qualitative change in the economy is a change for the better or not. The problem of subjective evaluation is fully recognized here but it will simply be postulated that (*a*) a reduction of econmic instability and (*b*) changes that especially promote, in a manner harmonizing with the traditions and aspirations of the country concerned, the welfare of the common people of that country, both represent qualitative improvement and clearly contribute to progress if added to, rather than gained at the expense of, growth in real per capita output or income.

Over a sufficiently long period a reduction in instability may be indicated, *ex post*, by an examination of the amplitude and periodicity of fluctuations that have actually taken place. *A priori*, countries with strong and flexible fiscal and monetary system clearly are in a better position than other countries to avoid, or minimize, instability in future. Diversification of production tends to promote stability by lessening the degree of dependence on the vagaries of the world market for one or two traditional exports. There have been some improvement in fiscal and monetary systems in the ECAFE region since the second world war, and some diversification. Also the growing weight of the public sector in many of the countries of the region provides a kind of "built-in stabilizer" for the economy, and the increasingly active part that governments are playing in economic affairs strengthens the chances of additional compensatory devices being brought into play when needed. This is not to say that optimism is warranted with regard to avoiding instability in future; the pressure of fluctuations in world markets for the products of ECAFE countries, and the risks connected with the natural desire to push development expenditures just up to the point beyond which inflation becomes a real danger, are too great for that. But the ability to resist or minimize instability once it is seen to exist does, in general, appear to have improved during the period under review.

The social-justice aspect of qualitative improvement involves, generally speaking, some direct or indirect redistribution of resources in favour of low-income groups. Data on trends in income distribution by size-of-income classes would be the best indicator, but such data are not generally available.[5] Brief reference may, however, be made to certain other types of information bearing on this subject.

The crude death rate has everywhere been going down since the end of the second world war.[6] In several countries, for example Ceylon and Japan, it has been halved; in at least Japan and probably elsewhere it has

1. This the report of the Working Party on Economic Development and Planning (first meeting) to the Economic Commission for Asia and the Far East (twelfth session) refers to "non-essential expenditures either on non-productive consumption or on unnecessarily luxurious capital construction." See *Economic Bulletin for Asia and the Far East*, vol. VI, No. 3, November 1955, p. 4.
2. See discussion of "capital-like" expenditures, in "Problems and techniques of economic development planning and programming with special reference to ECAFE countries," *ibid*, pp. 29.
3. Report of the Workshop on Problems of Budget Reclassification in the ECAFE region (ECAFE/L.95, 21 September 1955), para 68.
4. This correlates with almost complete absence of expenditures on defence in Ceylon. As a percentage of total government expenditures, government expenditures on *social* services appear to be equally high in the Philippines; data on economic services are not available.
5. Some partial statistical indicators are available, but no very clear-cut conclusions can be drawn. (1) In Ceylon, India, Japan and the Philippines, the four countries for which it is possible to relate a wage index to per capita national income, the ratio of the former to the latter has apparently risen in the post-war period. Wages are admittedly a far less important indicator in Asia than in the West, and evidence from short periods can also be misleading. (2) Taxes on income and wealth (mainly income and inheritance taxes) have been given slightly greater emphasis by the majority of countries of the region during this period, although they are of relatively small importance, being almost everywhere below 5 per cent and sometimes below 1 per cent of national income. The exception is Japan; here, however, the ratio declined from 12.5 per cent in 1948 to below 8 per cent in 1954. (3) The trend in social services paid for by the government (education, health, social welfare, relief, housing programmes, etc.), figured as a percentage of total government expenditure, has been mixed.
6. See *infra*, Asian Economic Statistics, table B.

fallen below a rate of 10 per thousand. What these reductions in death rates, when coupled with continuing high birth rates, imply for future standards of living is, of course, a major question. But it is a noteworthy favourable fact that human life itself—sheer survival—has become somewhat less insecure in the countries of the ECAFE region during the post-war period.

The land reform movements that either have taken place already or are now in progress are playing an important part in what is really a revolutionary change for the better in the status of tenant cultivators in much of Asia.

Governments are also now giving attention, in their planning, to the solution of problems of both rural and urban unemployment and under-employment, treating this more and more as a value in itself and not merely as a by-product of expansion of production. The enormous benefits to be gained in this difficult area of progress lie, however, it must be admitted, almost entirely in the future.

CONCLUSION

Despite the reservations expressed in this chapter as to the adequacy and accuracy of our knowledge, there can be no real doubt that there has been a general pattern of economic progress in the ECAFE region since the end of the second world war. Part of this progress is recorded in statistics depicting the growth of current production and consumption, or pointing to prospects of such growth in the future. Another part is recorded at least in fragmentary statistics that suggest in one way or another that the economies of the countries of Asia are "better" now than they were, as well as "bigger". Still another part could hardly be reduced to statistical form —the imponderable aspects of qualitative improvement; the organizational, psychological, and other advances leading to quantitative growth that will not actually register until later. Increased experience in administration, efforts to organize planning, popular support, widespread public participation all have a vital contribution to make, and the conclusion from a broad evaluation of factors such as these is that the progress that has been made in the region over the post-war decade is greater than any purely quantitative measures will show.

Yet the things that have been or that can be quantified must, after all, be given the leading part in a study of economic progress. And here the analysis set forth in the preceding pages leaves little room for complacency. Quantitative growth has been slow. Production has risen everywhere, following the cessation of hostilities, but, on a per capita basis, the comparison still is generally unfavourable both in relation to pre-war conditions in Asia itself and in relation to present trends in the West.

As to the former, it is true that industrial production has begun to develop promisingly in some countries, and that export-geared economies have enjoyed boom conditions in certain years; however, agricultural production, the mainstay of life, is still substantially below pre-war levels, on a per capita basis, for the ECAFE region in general—whether this calculation be made with or without counting mainland China. At the same time, of the 9 countries whose aggregative estimates for their domestic product have been reviewed, only 4, with a combined population of less than 140 million, appear to show an upward trend of more than 3 per cent a year on a per capita basis. Western economies likewise are growing at varying rates, but any Asian country with an annual per capita rate of growth of output of less than 3 per cent may be said to be dropping farther behind the advanced economies, rather than starting to close the gap. In fact, this understates the matter, since the *percentage* rate of increase has to be not merely equal but much greater at the low levels of output prevailing in the under-developed regions of the world to keep the *absolute* margin from widening.

The differences in the rates of advances of the different countries, as shown by their statistics, are due to a large number of factors, variously combined, some of which have been touched on in the preceding analysis. It should be recognized that most of the countries that have gone ahead most rapidly have not only the energy and skill of their own people to thank for this but also large-scale foreign aid. External aid—and, in particular, United States aid—has been a major factor in several instances in enabling rehabilitation and reconstruction to be accomplished quickly and development to be initiated in a promising way.

This fact serves to bring into focus what is certainly a key problem for growth and progress in the ECAFE region—the shortage of material resources that can be mobilized for production. Poverty in this sense (not in the sense of lack of manpower or natural resources, the most fundamental elements) is the basic factor limiting development in Asia. International co-operation, to provide more foreign capital and other assistance, undoubtedly is needed in order to meet this problem successfully.

A second major problem is presented by population factors, especially population growth. When a point is reached in the combination of elements—the relationship of land and people and capital equipment—where gains in production can with difficulty keep adequately ahead of increases in the number of persons to be fed and clothed and housed, it may be time to take stock of population policy as well as of the need to revise age-old production techniques.

The problem, of course, is not just one of number. Part of the reason for the poverty of mobilized resources in Asia is the double wastage of human resources that frequently takes place. Capacities are not properly developed through training and experience, so that there results a shortage of needed skills, including skills of management, and production suffers accordingly. Meanwhile existing skills are under-utilized in some countries because it has not yet been possible to overcome the organizational difficulties preventing achievement of anything like an approximation of full employment.

Change is a fourth great problem. If the economies of the ECAFE region are to experience such growth as will carry them out of their present state of under-development in decades rather than centuries, great structural changes in production and trade, in methods and techniques and approach, will have to be made along the way.

Chapter 2. CURRENT ECONOMIC SITUATION[1]

AGRICULTURAL PRODUCTION

Cereals

In 1954/55[2] the production of cereals in the ECAFE region remained moderately above the pre-war (1934-38) average for the third successive post-war year, despite relatively unfavourable weather conditions in some countries. Excluding mainland China, total cereals production in the region, at 117.6 million tons, was about 1.5 per cent lower than the record production of 1953/54, but was, nevedtheless, higher than that of any other post-war year.[3] Production of rice, the main staple food in the region, at around 70.1 million tons, though 6.6 per cent lower than the record production of 1953/54, was still the second higest on record. The fall in rice production of about 4.9 million tons compared to 1953/54 production was shared almost equally between the deficit and surplus countries as a whole. However, changes in rice production varied a great deal among deficit countries. Thus, in India, rice production was 12 per cent less than the previous bumper harvest, while in the Philippines it was 2.5 per cent lower. On the other hand, Japan harvested a rice crop 10.5 per cent better than the previous poor crop and production in other deficit countries like Ceylon and the Federation of Malaya was also better. On mainland China, production of food grain crops, which embrace cereals, pulses, and potatoes, is officially estimated to have risen by 3 per cent in 1954/55.[4] Table 8 summarizes the trends in production and imports of cereals in the ECAFE region excluding mainland China.

1. The statistics from official sources on mainland China on agricultural and industrial production, transport, trade, prices and finance are subject to qualifications given in *infra*, p. 80, opening footnote to the section on the mainland in chapter 7 on China; and footnote 8 on p. 86, they are thus not strictly comparable to the verifiable data from other countries.
2. The crop year for cereals is from July to June.
3. Including mainland China, the total 1954/55 production of cereals in the region, though 1 per cent lower than in 1953/54, was estimated by FAO to be still 5 per cent above the pre-war average, despite heavy flood damage in certain countries.
4. See *infra*, chapter on China.

TABLE 8

CEREALS PRODUCTION AND IMPORT, 1950-55

('000 tons)

	1951	1952	1953	1954	1955
ECAFE region:[a]					
Production					
All cereals . .	101,658	107,565	119,426	117,606	..
of which, rice .	64,376	68,025	75,033	70,100	..
Deficit countries of ECAFE region[b]					
Production . .	67,050	73,056	82,512	82,404	..
Import	11,038	10,265	8,209	7,291	7,282[c]

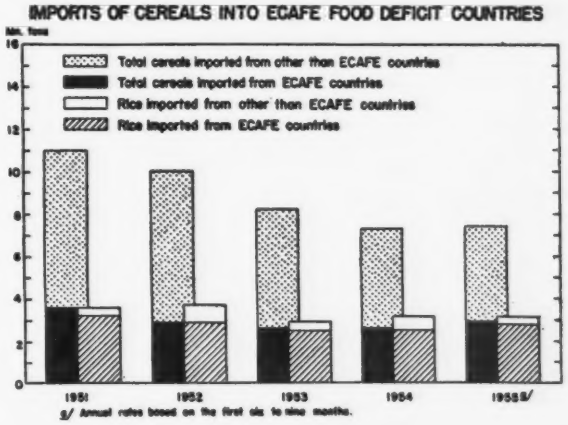
Source: For trade: Prior to 1955, Economic Analysis Branch, FAO, Rome, as per ECAFE document DPWP.1/11 of 12 October 1955. 1955 figures are obtained from national trade returns and estimated from figures for the first six to eight months. Figures on China: Taiwan are taken from national sources.
For production: FAO and national sources; crop years for production.

a. Excluding mainland China.
b. Ceylon, Hong Kong, India, Indonesia, Japan, Malaya, Philippines.
c. Estimated.

During earlier post-war years, the limited export supplies and transport difficulties, the recurring shortage of foreign exchange (particularly dollars) and the restrictions on consumption through controlled distribution had all contributed in varying degrees to keeping down the import demand for cereals in deficit countries, despite the low level of cereal production in these countries. After 1952, owing partly to improved domestic supplies, the imports of cereals in the deficit countries had generally been going down and, in 1954, were 34 per cent lower than the post-war (1951) peak of over 11 million tons. Reduced imports of cereals, coupled with lower prices, had afforded some relief[5] to the governments of deficit countries, several of which were able to abolish or reduce drastically consumer subsidies. In 1955, owing to some fall in production, cereal imports of deficit countries were expected to increase, although such increase might not be significant. One development that deserves special notice in this context is that, in marked contrast with earlier years, food-importing countries are now relying to an increasing extent on the rice supplies available within the region. Thus, in the first seven months of 1955, rice imports from within the region accounted for 38 per cent of total imports of cereals as compared to 28 per cent in 1952.

Chart 2

IMPORTS OF CEREALS INTO ECAFE FOOD DEFICIT COUNTRIES



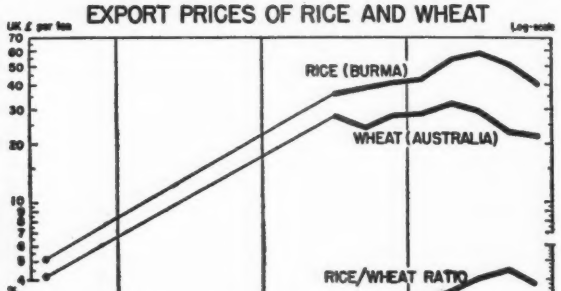
a/ Annual rates based on the first six to nine months.

The recent increase in import demand for rice available in the region, chiefly a result of reduction in export prices, came as a welcome relief to the rice-surplus countries of the region, particularly Burma and Thailand, whose combined exportable surplus in 1955 was over 50 per cent higher than their combined actual exports in 1954 and over 20 per cent higher than their combined maximum exports in the post-war period.

5. The availability of cereals from certain surplus countries outside this region in the form of outright grants or against payments in local currencies is also believed to have contributed to this.

Export prices of rice, which were tending to rise until 1953, had fallen since the close of that year and, in the case of Burma, the 1955 price for "S.M.S. 42 per cent broken" was 16 per cent lower than the 1954 price. The average unit value of exports in the first quarter of 1955 showed a steeper decline from 1954 than did the price for "S.M.S. 42 per cent broken," probably because low-priced varieties figured more prominently in the 1955 exports. These price reductions appear to have improved the competitive position of rice vis-à-vis wheat, particularly since wheat prices on international markets had generally remained unchanged during 1955. Thus, in 1955 for the first time in post-war years, the index showing the ratio of rice price to wheat price turned distinctly downwards.

Chart 3



Problems of food deficit countries

During the earlier post-war years, two common problems faced the food deficit countries of the region. One was the keeping down of domestic prices of cereals so as to avoid any sharp increase in the cost of living and this generally entailed imposition of controls on prices, procurement and distribution. The second was the stepping up of domestic cereals production and involved large outlays on food production schemes.

With increases in domestic production, secured particularly during the last two seasons, restrictions on consumption have been mostly removed except in Ceylon and Japan. Also, in 1955, the price problem that assumed importance was one of assuring certain minimum prices to producers. Thus, in *Ceylon*, where the government had guaranteed a minimum purchase price of Rs 12 per bushel of paddy (about £66 per ton of milled rice)[1] large quantities (over 59,100 tons of paddy) were purchased during January-May 1955 as against less than 33,000 tons in January-May 1954. The increase in the volume of paddy sold to the government has resulted partly from improved domestic production and partly from the government's decision to supply rationed rice to partial producers who stand to gain by selling almost all their produce to the government at the guaranteed price and buying the relatively cheaper rice available on ration.[2] In *India*, the 1954/55 rice crop, though 3.4 million tons shorter than the previous crop, was, nevertheless, the second highest on record. The combined output of millets, wheat and barley[3] exceeded that of the previous year by over 800,000 tons. Moreover, the existence of large stock with the government, placing of additional supplies of cereals on the market through direct sales to trade, and extension of fair-price shops in areas affected by adverse weather conditions were additional factors favouring the downward movement of prices. With a view to preventing prices from declining to unduly low levels, the central government announced in December 1954 that it would buy coarse grains at specified floor prices. Subsequently, the price-support operations were extended to wheat and gram harvested in the spring of 1955 and rice and millet crops due to be harvested towards the close of 1955. Prices showed some seasonal rise in the rainy season, particularly in September, an additional factor contributing to firmness at that time being reports of flood damage to 1955/56 autumn crops.

In the *Philippines*, the National Rice & Corn Corporation purchased domestic paddy in the early part of 1955 at fixed prices with the two-fold objective of assuring reasonable prices to producers and stabilizing rice prices in cities. This scheme was being continued in the latter part of the year when the 1955/56 crop was expected to come in. *Japan*, the only country in the region which has adopted a rigid price-support scheme, has been continually raising the price actually paid by the government to producers (including bonuses) in the post-war years. Thus the price for the 1954 rice crop was estimated at ¥9,860 per koku[4] ($182 per ton) of brown rice or more than twice the price for 1949 when the present rate of exchange of the yen was fixed.[5] For 1955, the basic price is 10 per cent higher and the complicated bonus scheme for advance commitment and early delivery has been revised in favour of producers. However, the expenditure on subsidized sales of imported rice has recently become very small because of reductions in prices which Japan has to pay for imports.

The second problem, that of increasing domestic production, continues to face the food deficit countries to some extent. However, owing to the improved supply situation, it has lost its edge in some cases, while some countries have already attained virtual self-sufficiency. Thus, *India* hardly needs any imports for current consumption and the rice imports in 1954 and 1955 facilitated the building up of reserve stocks. *Indonesia*, too, has succeeded in raising the level of domestic production, and but for the short-fall in domestic procurement in 1955,[6] imports might not have been necessary. The *Philippines*, which early in 1954 was experiencing difficulties in disposing of stocks of imported rice, found it necessary to import rice towards the close of 1954 and early in 1955, owing largely to a fall in the 1954/55 rice crop and a sharp increase in domestic prices.

In spite of recent improvements in the supply situation in the deficit countries and the increased supplies available from surplus countries, there has not been any slackening of effort on the part of deficit countries to increase further their domestic production. The extreme dependence of

1. The purchase price f.o.b. for S.M.S. 42 per cent rice from Burma was £41.3 per ton and in the case of mainland China the purchase price was £39 per ton.

2. The present ration price is 25 Ceylonese cents per lb or approximately £41.3 per ton.

3. The reference is to the wheat and barley crops harvested in the spring of 1955.

4. 1 koku = 1.804 hl.

5. Part of this rise, however, may help to correct the lag in the producers' price of rice during the period of inflation before 1949.

6. The actual procurement of paddy in Java in the first seven months of 1955 was 18 per cent lower than the corresponding figure for 1954. This short-fall was attributable partly to speculative holding up of supplies owing to expectation of a decline in production and consequent increase in market prices to levels above the government buying price. The reported decline in maize production was also an important factor that tended to reduce the marketable surplus of rice.

agricultural production in the countries of the region on the vagaries of weather, the increasing consumption demands consequent on population growth, the difficulties experienced in obtaining supplies in post-war years and the high prices that have had to be paid for imported cereals are all factors supporting the drive towards increased national self-sufficiency. At the same time, in a number of countries, notably in India, the attainment of self-sufficiency in food has been considered essential for industrial development.

While increase of domestic production up to certain limit might in many cases be a justifiable aim, yet the recent changes in the over-all supply situation do suggest a reappraisal of development efforts in terms of comparative economic advantages.

Problems of food surplus countries

Unlike the earlier years, when rice was in short supply and prices could be raised to "levels that the traffic would bear", the problems which continue to face the rice-surplus countries since 1954 have been those of declining export prices and, as a result, declining government revenues and foreign-exchange earnings. Reduction of export prices entails hardships to rice-exporting countries, particularly since the recovery of production in other lines (minerals, oils, timber, etc.) has been slow in post-war years and the dependence of these countries on rice exports has increased. Naturally, therefore, the process of downward adjustment of export prices was a hesitant one in 1954.

During 1955 prices have declined further, but rice exports have increased sharply and, as a consequence, the impact of reductions on revenues and foreign-exchange earnings has been softened. On the whole, the total 1955 exports from rice-surplus countries are expected to be a post-war high. In this context, two features of export trade deserve special notice. One is that, owing to reductions in export prices and adoption of more realistic export policies, the rice-surplus countries have been able in 1955 to capture a larger share of the demand for cereals from the deficit countries of the region that have a normal preference for rice.[1] Continuance of this tendency could result in increased intra-regional trade and reduced dependence of the region on imports of cereals from other parts of the world. The second is that since 1954 a substantial part of the rice exports from surplus countries, particularly Burma, has been covered by trade arrangements akin to barter agreements.[2]

Burma continues to handle the bulk of export trade in rice on government account, though traders can now buy rice from the State Agricultural Marketing Board for export. During 1955 the total volume of its rice exports is expected to be about 30 per cent higher than in 1954. *Thailand*, where the government maintained a virtual monopoly of export trade in rice in the post-war years, has thrown open the trade to private hands and total exports are estimated to cover almost the entire surplus of 1.3 million tons. *Pakistan* and *China: Taiwan* have also increased their rice exports.[3] *Cambodia* and south *Viet-Nam*, which has harvested poor crops, exported small quantities in the first half of the year. In the latter part, Cambodia needed some imports while Viet-Nam stopped exports because of a sharp increase in domestic prices following reports of damage to the 1955 rice ccrop and cornering of supplies by speculators. In *mainland China*, despite flood damage to the autumn crops, particularly rice, the total 1954/55 production of foodgrains was reported to have been better than the 1953/54 production. At the same time, the systems of State purchases and distribution were tightened. Thus, early in 1955, the system of "fixed production, fixed purchase and fixed marketing" was adopted and subsequently the distribution system was converted into a rationing system. The average monthly exports of rice from mainland China to Ceylon and Japan in the first nine months of 1955[4] were 3 per cent lower than the average monthly exports in 1954 as a whole.

Prospects

Precise estimates of the cereal crops likely to be available for consumption in 1956 are not yet available. However, present indications are that Japan, the biggest individual importer of cereals in the region, has harvested a record rice crop estimated at 14.8 million tons of paddy or about 28 per cent higher than the pre-war (1934-38) average. The 1955 production of wheat and barley crops has also been satisfactory. Nevertheless, if in 1956 export prices of rice are not very high in relation to wheat prices, rice imports of Japan from the countries of the region might maintain the level of recent years, thereby increasing the share supplied by these countries. Although in India the autumn crops have suffered from floods, the existence of a large reserve stock with the government might eliminate the need of imports for current consumption.

The export surplus of rice available with the countries of the region is likely to show some increase oevr the 1955 level, owing largely to an increase in the rice crop of Thailand. Cambodia and south Viet-Nam are, however, not expected to figure as exporters, and the supplies available from Pakistan may be lower, owing to flood damage to the 1955/56 crops. On mainland China paddy production in 1955/56 is officially estimated to have risen to 78.5 million tons from 70.9 million tons in the previous year.[5]

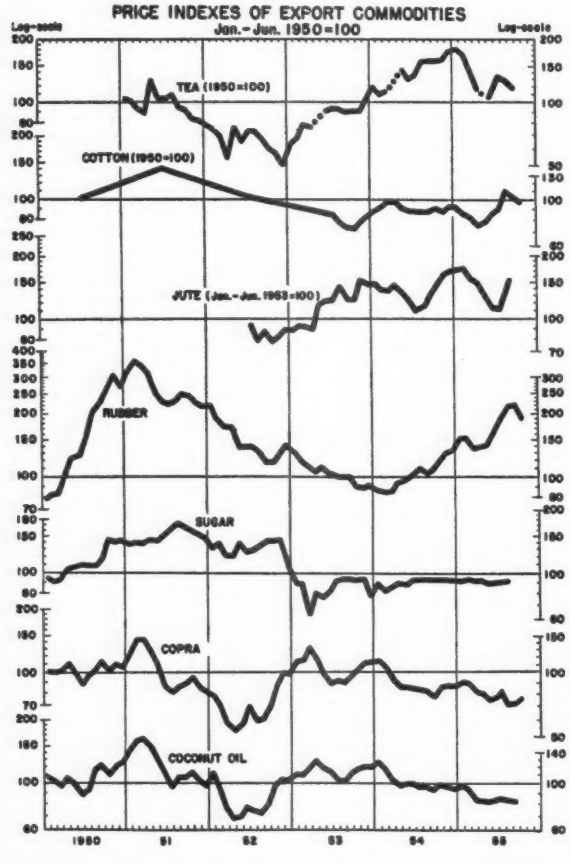
Although the supplies of rice available for export, particularly with Burma and Thailand, will be larger than in 1955, the marketing outlook is hopeful in view of the realistic and energetic manner in which exporting countries have been tackling the problems of export prices and of securing buyers. If the rice-surplus countries succeed in maintaining or increasing rice exports to the deficit countries of the region in 1956, imports of cereals from outside the region may decline and perhaps also the total foreign-exchange expenditure by the region for food imports. Much will depend, however, on the actual 1955/56 crops and on mainland China's rice export policy.

1. A favourable factor was the absence of any significant export of rice from the United States on concessional terms. In that country, farm-support prices in 1955 have been higher than world prices and large stocks have accumulated with the government. However, in order not to disrupt world markets unduly, the United States Government has not offered rice for export from government stocks at prices lower than the support prices paid to farmers. (FAO:CCP/RI/55/20—7 October 1955).
2. During 1955, Burma exported a substantial part of its rice under such agreements to mainland China, Indonesia, the USSR and several countries of eastern Europe.
3. Exports from Pakistan were estimated at over 100,000 tons in the first seven months of 1955; in the case of China: Taiwan, exports in the first nine months of 1955 amounted to 112,000 tons as against 36,000 tons in the whole of 1954. According to trade sources, India exported about 75,000 tons of rice in the first seven months of 1955.
4. Seven months in the case of Japan.
5. *Ta Kung Pao*, Hong Kong, 8 October 1955.

Other commodities

In marked contrast to the slow recovery of cereals production in the post-war years, the production of other agricultural commodities, except cotton and sugar, showed a relatively quick recovery. Thus, pre-war production was exceeded by 1947 for rubber, by 1948 for tea and by 1950/51 for jute and copra. The volume of exports also increased fairly rapidly and in most cases the post-war peak was reached in 1951. The following four years witnessed sharp declines in prices, volume of exports and foreign-exchange earnings, followed however by equally sharp increases. The magnitude of fluctuations in prices, volume of exports and foreign-exchange earnings differed with the commodity and the country. Two commodities, tea and rubber, have recently experienced sharp increases in prices and value of foreign-exchange earnings.[1] In the case of jute and cotton, prices in 1954-55 were moderately above the low levels of 1953 but exports declined. On the other hand, in the case of copra and coconut oil, the first important down-trend[2] in prices after the Korean-war boom started in 1954 and continued through the major part of 1955. The position of the major commodities entering into export trade is examined below.

Chart 4



1. Although tea prices showed a decline early in 1955, the average for the year would probably be well above that for 1953.
2. The down-trend of 1952 was short-lived.

Rubber

In marked contrast to the decline in consumption of 1951-52, world consumption of natural rubber increased sharply in 1953-54. Total consumption in 1954 at 1,793,000 tons was at an all-time high. This improvement resulted from a more favourable relationship between natural-rubber and synthetic-rubber prices, relaxation of restrictions on use of natural rubber in the United States, and a general increase in industrial demand. World production declined in 1953, although still slightly larger than world consumption, and the increase in production in 1954 was relatively smaller than that of consumption. Consequently, the gap between production and consumption narrowed down further. In 1955, production in the first nine months increased by 4.2 per cent over the corresponding 1954 production and consumption at 1,364,000 tons exceeded current world production.

In the ECAFE region, which accounts for about 95 per cent of world output, 1954 production was 5 per cent higher than that of 1953 but fell short of the 1951 peak by 5 per cent. During 1955, production in the first nine months showed an increase of more than 2 per cent over the corresponding figure for 1954. Almost all the countries have shared in the increase in production since 1953, but in Indonesia the increase in 1954 was relatively larger owing to a sharp increase in small-holders' output.

The volume of exports from the ECAFE region increased in 1954 by 5 per cent over 1953 and was the second highest on record. In 1955, exports are expected to be higher than in the previous year.

TABLE 9

NATURAL RUBBER PRODUCTION AND EXPORT

('000 tons)

	Production		World consumption	World production minus world consumption	Total net export from ECAFE countries[a]
	ECAFE region[a]	World			
1951	1,808	1,915	1,522	+393	1,772
1952	1,707	1,819	1,478	+341	1,662
1953	1,637	1,755	1,656	+ 99	1,584
1954	1,714	1,831	1,793	+ 38	1,664
Jan-Sep	1,241	1,324	1,318	+ 6	1,218
1955 Jan-Sep	1,269	1,379	1,364	+ 15	1,273[b]

Source: International Rubber Study Group.

a. Comprises returns for Cambodia, Ceylon, India, Indonesia, Malaya, Sarawak and Viet-Nam (for south Viet-Nam only in 1955) and estimates for Brunei, Burma, North Borneo and Thailand based on net exports.

b. Estimates based on Jan-Jun for Cambodia.

Owing to increased consumption and the narrowing of the gap between production and consumption, prices started rising from the second half of 1954. The December 1954 price of R.S.S. No. 1 at Singapore was 54 per cent higher than the price in January 1954. During 1955, with consumption in the first eight months exceeding production, prices continued to rise. The August price of R.S.S. No. 1 at Singapore was 45 per cent higher than in January 1955 and nearly 84 per cent of the average price in the peak year 1951.

Higher prices since 1954 and larger volume of exports have brought about sharp increases in foreign-exchange earnings. While prices may remain firm for some time because the present consumption of rubber (including synthetic) is likely to be high in relation to production, the long-run interests of the producing countries lie in securing increases in output at lower unit costs.[1]

Tea

The continuing upward trend of tea production persisted in 1954, when total production in the principal producing countries of the region exceeded the pre-war (1934-38) average by more than 30 per cent.[2] Post-war increases in production have been secured largely through adoption of improved agricultural practices, use of higher yielding varieties and intensive pluckings. In 1955, total production in the first nine months was slightly higher than the corresponding figure for 1954.

During recent years, consumption has also increased appreciably, in both the exporting and the importing countries. While substantial increases in domestic consumption in countries like India have tended to limit the supplies available for export, the volume of exports has increased since 1949 in almost every case. In 1954, total exports from the four major exporting countries[3] at 415,000 tons, which almost maintained the record exports of 1953, exceeded the 1937 exports by 31 per cent. In 1955, exports in the first nine months at 233,600 tons were 8 per cent lower than the corresponding figure for 1954. Almost all the major exporting countries shared in the decline.

During 1953-54, increases in world demand for tea resulted in both larger volume of exports and higher prices and, as a consequence, foreign exchange earnings were at record levels. However, during 1955, both volume and prices of exports declined. Thus, tea prices in London tended to rise during 1953-54 and were, by early January 1955, nearly twice the average price for 1951; thereafter, consumer resistance became apparent and traders reduced purchases. Despite lower imports in January 1955, stocks in the United Kingdom at the end of that month were large. Price started declining in January and the downtrend continued almost throughout the first half of 1955. In the third quarter of 1955, prices in the London auctions started rising and by September the price of North Indian tea was only 1 per cent lower than in September 1954 and 15 per cent lower than the peak price of January 1955.[4] It is important to note, however, that London prices do not always reflect fully the changes in prices in exporting countries. Thus, the Calcutta export price (including export duty) of leaf tea on 26 September 1955 was nearly 30 per cent[5] lower than the price a year earlier and 42 per cent lower than the average price in January 1955.[6]

The sharp price reductions that occurred in the earlier part of the year focused attention on the problems of improvement of quality and the competitive position of the tea industry. The Indian Planters' Association requested its members to improve the quality of their tea, while in Ceylon similar action was taken by the Tea Controller. Export duties were reduced during April[7] both in Ceylon and in India and, in the former country, the government also tried in May to support the price of tea sold for export at Rs.1.5 per lb. in the Colombo auctions. However, early in June, export duty was reduced further in Ceylon and the export-price support scheme was abandoned. Subsequently, when tea prices increased in the second half of the year, export duties were increased, both in Ceylon and in India. Although tea prices showed some increase in the second half of the year, the price spread between low and superior qualities also widened. And this brought to the fore, once again, the problem of improving the quality of tea.

Jute[8]

For the second season in succession, the 1954/55 jute production in the region remained well below the pre-war (1934-38) average. Following the sharp increase of supplies over demand and steep fall in prices in the 1951/52 and 1952/53 seasons, the Government of Pakistan took steps to restrict production. This action, coupled with less favourable weather conditions and less favourable prices, helped to keep down the total production in the region. Exports of raw jute from Pakistan in these two seasons were generally stable, but domestic consumption increased. Thus, reduced production coupled with increased demand (exports plus domestic consumption) helped bring about a significant reduction in carry-over stocks.

Total 1954/55 supplies in Pakistan were estimated at around 1.17 million tons. Exports during this season, at 932,000 tons, though 72,600 tons more than in the previous season, were 29,030 tons lower than in 1952/53. Domestic consumption at 125,000 tons was nearly twice the consumption in 1953/54. Consequently, the carry-over stocks at the beginning of the 1955/56 season were estimated at about one-third of the stocks a year before.

In India, the jute situation in the 1954/55 season was characterized by sharp increases in production of jute manufactures (more than 15 per cent over 1953/54) and a high level of exports. Mill consumption of raw jute at around 1.07 million tons exceeded the consumption in 1953/54 and 1952/53 by 15 and 10 per cent respectively.[9] Exports of jute goods at 725,800 tons, though 1 per cent lower than the exports of 1953/54, were nevertheless 16 per cent higher than 1951/52 exports. Exports of sackings have tended to increase in the past two seasons and the 1954/55 exports were 19 per cent higher than in 1952/53, whereas the 1954/55 exports of hessian declined by 22 per cent from the previous season, although they stood at 13 per cent above the 1952/53 figure. These tendencies continued in the first two months of the 1955/56 season also. Total production of jute manufactures

1. In August 1955, the price of natural rubber was nearly twice the price of "general purpose" synthetic rubber. Moreover, production of synthetic rubber in the first half of 1955 was nearly 36 per cent higher than a year earlier.
2. In mainland China, tea production in 1954 was reported to be 30 per cent higher than in 1950, but still only 54 per cent of normal pre-1937 production. (*People's Daily*, 20 March 1955).
3. Ceylon, India, Indonesia and Pakistan.
4. United Nations, *Monthly Bulletin of Statistics*.
5. International Tea Committee, *Monthly Statistical Summary*.
6. The factors that have recently influenced the prices in the London auctions are not precisely known. However, the Board of Trade in the United Kingdom has referred for investigation the question of tea supplies in the United Kingdom to the Monopolies and Restrictive Practices Commission.
7. In India, a sliding scale of export duty was introduced on 1 April 1955 and export duty from that date worked out to 8 annas per lb as against 10 annas in March. This was subsequently reduced to 6 annas. However, from 1 October the export duty was increased to 8 annas. In Ceylon, the export duty was reduced from Rs 1.3 per lb to Rs 1 per lb in April and was further reduced to 50 cents in June. In September, the duty was raised to 65 cents.
8. Production and trade statistics relate to the crop year from July to June.
9. During 1954/55, domestic supplies estimated at around 1.11 million tons were supplemented by imports of 226,800 tons.

during July-August 1955 was over 6 per cent higher than the corresponding production for the previous season, while total exports of hessian and sackings were about 8 per cent higher.

Prices of raw jute, which declined in 1952 and early 1953, tended to firm up thereafter except for a temporary decline in the beginning of 1954/55, caused by expectations of large crops in both India and Pakistan. The latter estimates of supplies were subsequently marked down owing to damage to crops by floods, while demand was expected to be better than in the previous season; prices started rising again from September onwards and by January 1955 the price of white jat bottom at Narayanganj (Pakistan) stood at Rs 26 per maund[1] or nearly 24 per cent higher than in January 1954. From March 1955, however, prices started declining owing to expectations of a bumper 1955/56 crop, but showed some increase after the devaluation of the currency in Pakistan. In September, the price of middle quality jute at Narayanganj stood at Rs 24/10 per maund.[2]

While production of raw jute is expected to show a substantial increase in the 1955/56 season,[3] steps have also been taken to encourage exports of both raw jute and jute manufactures. In Pakistan, the competitive position of raw jute, at least in the short run, has been improved following devaluation of the currency, while in India the competitive position of jute manufactures has improved as a result of the abolition of export duty on jute manufactures.[4]

Cotton[5]

During recent years, the over-all production and consumption of cotton in the region have tended to increase but the increases registered and the consequent changes in import requirements or export availability have varied considerably as among countries. Generally speaking, import requirements of importing countries have tended to go down owing to increases in domestic production and/or limited changes—sometimes reductions—in consumption. On the other hand, the supplies available for export (particularly of medium-staple variety) in the main surplus country, Pakistan, have tended to go down mainly because of increased domestic consumption.

Thus, in the case of India, production in the 1954/55 cotton season was over 30 per cent higher than in 1952/53, while the corresponding increase in consumption was less than 6 per cent. Imports in 1954/55 were well below those in 1952/53 and were limited mainly to long-staple varieties that were not available domestically.

In mainland China, production in the 1954/55 season at 1,040,000 tons was 11 per cent lower than in 1953/54 and 20 per cent lower than in 1952/53.[6] Imports in 1954/55 at 33,000 tons, though 25 per cent lower than in the previous season, equalled the 1952/53 imports.[7]

In Japan, the biggest importer of raw cotton in the region, consumption gradually recovered towards the pre-war level and in 1953/54 was more than one-third higher than in 1951/52. However, in 1954/55 consumption was deliberately curtailed in order to reduce the accumulated stock of cotton textiles.[8] Imports tended to increase until 1953/54, but declined by about 16 per cent in 1954/55 compared to the previous season.[9] Of the total imports of cotton in 1954/55 about 15 per cent came from the countries of the region as against 19 per cent in 1953/54.

In Pakistan, consumption has increased remarkably in the last few seasons and amounted in 1954/55 to nearly three times the consumption in 1952/53. Production, on the other hand, has fallen during the last three years and, as a consequence, the supplies of cotton (particularly medium-staple) available for export tended to go down (particularly in 1954/55).

TABLE 10

RAW COTTON SUPPLIES AND CONSUMPTION, 1952/53—1955/56

('000 bales)[a]

	Production	Initial stock	Imports	Exports	Consumption
INDIA					
1952/53	2,975	2,000	563	293	3,875
1953/54	3,770	1,370	486	91	3,985
1954/55	*4,420*	1,550	495	*220*	*4,100*
1955/56	..	*2,140*	..	..	..
JAPAN					
1952/53	—	524	2,064	—	2,065
1953/54	—	523	2,443	—	2,441
1954/55	—	519	*2,050*	—	*2,120*
PAKISTAN					
1952/53	1,540	365	—	1,275	230
1953/54	1,200	400	—	898	450
1954/55	*1,310*	250	—	*650*	*675*
1955/56	..	*235*	..	..	..
TOTAL 3 COUNTRIES					
1952/53	4,515	2,889	2,627	1,568	6,170
1953/54	4,970	2,293	2,929	989	6,876
1954/55	*5,730*	2,319	*2,545*	*870*	*6,895*

Source: International Cotton Advisory Committee.
a. 1 bale = 478 lb = 216.8 kg.

Cotton prices at Karachi rose in the last quarter of 1954, but started declining in 1955 in sympathy with the down-trend in world markets.[10] From June to August prices turned upward and the rise was marked immediately after devalution of the Pakistan rupee. However, in September, prices again showed some decline. The price of 289F (Punjab) roller-ginned cotton at Rs 90/14 per maund of 37.34 kg was about 20 per cent higher than a year before.[11]

1. 1 maund = 37.34 kg.
2. The export duty on raw jute was increased from Rs 3 to Rs 4 per maund in August.
3. In Pakistan, preliminary 1955/56 estimates of area under jute show an increase of 30 per cent over the corresponding figure for 1954/55.
4. Prior to 1 August 1955 the export duty amounted to Rs 80 per ton on sackings and to Rs 120 per ton on hessian. In addition to the abolition of export duties, modernization of plant is being facilitated. The National Industrial Development Corporation will provide long-term low-interest loans to the jute mill industry for modernization of plant.
5. Production and trade statistics relate to the crop year from August to July.
6. The shortfall was due to flood damage. See *infra*, chapter on China.
7. Imports in the past three seasons were well below the imports in 1951/52.
8. In Japan, production and export of rayon piecegoods are being increased. Thus, during 1951/54 production increased by over 50 per cent and exports almost doubled. In the first half of 1955, production and exports were higher than in the first half of 1954. (International Cotton Advisory Committee, *Cotton: Quarterly Statistical Bulletin*).
9. Although cotton consumption declined in Japan during the 1954/55 season, in a number of other countries or areas—South Korea, Hong Kong and China: Taiwan—consumption in 1954/55 exceeded appreciably the consumption in 1952/53.
10. According to the International Cotton Advisory Committee in Washington, "Contributing to this (down-trend in world cotton markets) were the enhanced production prospects within the free world but more important was the down-turn in demand arising out of surplus disposal discussions in the United States". (*Cotton: Monthly Review of the World Situation*, June-July 1955, p. 18).
11. Prices on world markets declined in September because of the desire to dispose of stocks before the beginning of the special million-bale export programme in the United States. An additional factor in the case of Pakistan was probably the increase in export duty from Rs 90 to Rs 135 per bale on 22 August 1955.

Precise estimates of the 1955/56 supply situation in the region are not yet available,[1] but the outlook for export prices is weak in view of the expected increases in world production as also of a number of other factors. In the United States, despite a 14 per cent reduction in area, 1955/56 production has shown a 2 per cent increase over the previous season and total supplies will be at an all-time high. Elsewhere in the world, also, production is expected to increase. More important, however, is the reported decision of the United States Government to export one million bales of all grades of cotton having a staple length of 15/16″ or less on an open-competitive-bid basis. This has special significance because the export surplus of cotton available with the producing countries of this region consists largely of medium- and short-staple cottons. Another equally important factor is that considerable amounts of dollar funds will be available in 1955/56 to a number of countries in the region, for buying United States' cotton.[2]

Copra[3]

During recent years copra production in the principal producing countries of the ECAFE region has generally remained well below the 1951 peak, owing to various factors including typhoons, droughts and plant diseases. However, over-all production in the region in 1954 was appreciably better than in the previous year, and 1955 production was not expected to be materially different from that of 1954. Both in the Philippines and in Ceylon, production promised to be larger than in 1954 and the increases in these countries probably offset any short-falls in production elsewhere in the region.

Owing to short-falls in production or increased domestic consumption (as in Indonesia) the total volume of exports from the surplus countries has tended to go down in recent years. However, in 1954, total exports of copra and coconut oil from the surplus countries in the region showed a sharp increase over the previous two years, owing to increased production of copra in the Philippines. In the first seven months of 1955, total exports from the Philippines at 315,000 tons (oil equivalent) were 6 per cent higher than in the corresponding period of 1954. The exports from Ceylon, also, showed a sharp increase in 1955 and amounted in the first nine months to 95,460 tons (oil equivalent) or about 33 per cent more than in the corresponding period of 1954. Exports from Malaya in the early part of the year were at nearly the same level as in 1954. On the other hand, exports from Indonesia maintained the down-trend noticeable since 1952 and in the first half of 1955, at 78,000 tons (oil equivalent), were 25 per cent lower than the corresponding figure for 1954. However, stocks of copra were reported to have been built up in East Indonesia in the first half of 1955 and there was a possibility of exports increasing in the second half of the year.

The down-trend in prices of copra and coconut oil, which started early in 1954, continued in 1955. Thus, the price of copra in the Philippines during September 1955 stood at ₱248 per ton as against average prices of ₱308 for 1954 and ₱366 for 1953. This down-trend was in sympathy with the general decline in international market prices of fats, oils and oil-seed which started early in 1954.

Sugar

During recent years, the total production of sugar in the surplus countries to the ECAFE region has tended to increase. The increases registered from year to year have varied with the country and there have also been some set-backs. Thus, in 1954, production of sugar in the Philippines was at an all-time high and was over 50 per cent greater than in 1951. The estimated 1955 production, though 4 per cent lower than in 1954, is, nevertheless, the second highest on record in the post-war years. On the other hand, production in China: Taiwan showed a sharp decline in 1954, but in the first half of 1955 was 17 per cent higher than the corresponding production a year before.[4] In Indonesia, the up-trend in production during recent years is likely to be maintained in 1955.

Exports from surplus countries have also tended to increase until recently. Thus, 1954 exports from the Philippines were over 50 per cent higher than 1951 exports and exceeded 1938 exports by over 6 per cent. In 1955, exports in the first half of the year were 18 per cent greater than the corresponding figure for 1954. In the case of China: Taiwan, 1954 exports, though about 35 per cent lower than the record exports of 1953, were, nevertheless, up to the permissible quota under the agreement. In the first half of 1955, exports were 13 per cent lower than the corresponding figure for 1954. Exports from Indonesia in 1954 were at a post-war high.[5]

Japan is the principal sugar-importing country of the region. During recent years its imports have increased and so, also, has the share of its imports from within the region. Thus in 1954, its total imports at 1,012,000 tons were 28 per cent higher than its 1953 imports; 54 per cent of the 1954 imports came from the surplus countries of the region as against 39 per cent in 1953.[6] This sharp increase in the share of imports from the countries of the region was attributable to a large increase in imports from Indonesia. In the first eight months of 1955, of total imports of 677,000 tons about 46 per cent came from the surplus countries of the region.

The down-trend in sugar prices observable since 1952 slowed down in 1954 and 1955. Prices have tended to stabilize around the minimum price fixed under the Inter-

1. On mainland China raw cotton production, after having fallen in 1954/55 by 20 per cent below the 1952/53 level, is officially estimated to have risen by over one third in 1955/56 above the preceding crop year. (NCNA, Peking, 18 December 1955).

2. According to *Cotton: Monthly Review of the World Situation* (published by the International Cotton Advisory Committee, Washington), Vol. 9, No. 2 dated September 1955, dollar funds available for cotton exports during 1955/56 (as of 25 August 1955) to ctuntries of ohe region are as follows:

Country	ICA	Agricultural Trade Development and Assistance Act	Export-Import Bank	Total
		(million dollars)		
China: Taiwan	5.8	—	—	5.8
India	15.7	—	—	15.7
Japan	—	34.1	60.0	94.1
Korea (South)	—	9.4	—	9.4
Pakistan	—	21.4	—	21.4
Total	21.5	64.9	60.0	146.4

3. Production figures relate to the crop year from July to June.

4. Since 1954, production of sugar in the Republic of China has been influenced to an increasing extent by the obligations, in respect of stocks and exports, under the International Sugar Agreement, from which it proposed to withdraw its membership at the end of November 1955. The case of the Philippines is, however, different since its exports to the United States, which account for the bulk of its exports, are outside the scope of the International Sugar Agreement.

5. For 1955, precise information is not yet available since the bulk of the exports take place in the second half of the year.

6. Percentages taken in terms of value.

national Agreement. Although the over-all import demand has improved appreciably in 1955 owing to large imports by the USSR,[1] prices on international markets have not increased significantly above the minimum.

INDUSTRIAL PRODUCTION

Current developments

Industrial production continued to increase in most countries of the region in 1955. Available indices of industrial production showed that among the leading industrial countries in the region—China, India and above all Japan—the rate of increase since 1952 appears to have been highest in China.

In *China* the first Five-Year Plan (1953-57) on the mainland envisages an increase in industrial production of 98.3 per cent or an average annual growth rate of 14.7 per cent during the five-year period. During 1953-55, the first three years of the plan, the index of industrial production increased at a rapid pace (17.5 per cent annually) to 162 (1952=100); this increase is reported to have been secured primarily by making fuller use of the existing capacity of industrial establishments.[2] In Taiwan, after a marked increase registered in 1953, industrial production rose less rapidly in 1954 and 1955.

TABLE 11

INDUSTRIAL PRODUCTION INDEX, 1953-1955

	Index (1952=100)			Percentage increase over previous year		
	1953	1954	1955[a]	1953	1954	1955[a]
China: Taiwan	130.6	136.7	146.3	30.6	4.7	7.0
Mainland[b]	131.4	153.7	162	31.4	16.7	5.4
India	104.9	113.7	123.5	4.9	8.3	8.0
Japan	122.0	128.6	137.2	22.0	5.4	6.6
Pakistan	146.8	178.1	..	46.8	21.3	..
Philippines	113	127	134	13.0	12.3	5.5
World	107	107	116	7.0	0	8.4

Note: Figures for world index of industrial production exclude the USSR, eastern Europe and mainland China.

a. Average of first six months for the Philippines and the world. Average of first 8 months for India; average of first 9 months for China: Taiwan and Japan.

b. Li Fu-chun, 'Report on the Five-Year Plan to Young Activists' Conference', in NCNA (New China News Agency or Hsin hua), Peking, 28 September 1955. Figure for 1955 is target. The index refers to the gross value of industrial production which includes some double counting.

In *India*, although the rate of increase in industrial production between 1952 and 1955, achieved more by the full utilization of capacity than by its expansion, was not as fast as in China, it has lately gathered momentum. More emphasis was laid, under the First Five-Year Plan, on agriculture and community development, irrigation, power, transport and communications than on industry. However, under the draft Second Five-Year Plan an ambitions expansion of industrial production is being envisaged (67 per cent in five years in mining and factory enterprise sectors), with emphasis on heavy industry in the public sector.

In *Japan*, industrial production continued its upward trend in 1955 owing largely to an increase in the export demand. Under the draft Six-Year Plan, a further expansion of industrial production is being planned (54 per cent in six years by 1960), with emphasis on heavy and chemical industries.

Pakistan achieved remarkable progress in the development of cotton textile and jute industries.[3] The *Philippines* also has achieved a substantial expansion in certain lines of industrial production in recent years. In most other countries of the region, where industrial development is only in the early stages, a steady and moderate progress was achieved in several lines of production.

Lines of industry which have been growing recently or whose development is being planned in countries of the region may be classified into the following four categories:

Firstly, there is a group of industries which has been extensively developed in the region mainly with a view to achieving self-sufficiency in the supply of essential consumer goods. As exemplified by the cotton-textile industry in Pakistan, the development of this group of industries has, in several cases, been related to the availability of domestic raw materials.[4] The establishment of sugar-refining and paper industries in several countries may also be regarded as examples in this category,[5] as also leather, vegetable-oil and other food-processing and pharmaceutical industries.

Secondly, a group of industries, mostly connected with direct investment by foreign capital in the region, are engaged in processing imported raw materials or assembling imported components. Oil-refining in China: Taiwan, India and Japan, automobile assembling in India, Japan and the Philippines, a refrigerator assembly plant and manufactures of electric appliances in the Philippines come under this category. Aside from the factor of monopoly in the petroleum industry, development of this type of industry has often been induced by high rates of import duty on finished goods in countries of the region.

Thirdly, there is a group of industries which aim at meeting the needs of economic development. The cement industry, which has been extensively developed recently, is an example from this category. As shown in table 12, the production of cement in the region has increased considerably during the last several years. Even excluding Japan, China and India, countries of the region expanded their production two-fold between 1948 and 1951 and again by 40 per cent between 1951 and 1954. But in order to meet the progressively increasing demand, most of these countries continued to import a substantial proportion of their needs, more from within the region lately than from outside. Iron and steel, engineering, and

1. Export supplies available from countries of eastern Europe were lower in 1955 than in the previous year.
2. Li Fu-chun, 'Report on the Five-Year Plan to Young Activists' Conference', in NCNA, Peking, 28 September 1955.
3. Jute manufactures increased from 18,000 tons in 1951/52 to 54,000 tons in 1954 and 85,000 tons at an annual rate in the first five months of 1955.
4. According to the census of manufacturing industries in Pakistan (1953), of the total value of materials consumed 83 per cent was supplied from indigenous sources. (See *Pakistan Trade*, August 1955, pp. 15-18).
5. A sugar factory in *Afghanistan* and two sugar mills (with a daily crushing capacity of 2,500 tons of sugar-cane) in *Burma* are under construction. In *Ceylon* the establishment of a sugar factory with a capacity of 25,000 tons of sugar annually is being contemplated. The *Pakistan* Industrial Development Corporation (PIDC) is planning ten sugar factories of 10,000-12,000 tons capacity each, of which one went into operation in 1955 and two more are currently under construction. In *Thailand*, a sugar factory with a daily crushing capacity of 1,100-1,500 tons of sugar-cane is being established. In *Ceylon*, a paper factory with an annual rated capacity of 3,750 tons is expected to be completed in 1956. Production of paper in China: Taiwan increased substantially from 15,000 tons in 1950 to 29,600 tons in 1954 and 30,900 tons at an annual rate in the first nine months of 1955. A start has been made on the construction of a cardboard factory with an annual capacity of 1,500 tons in *Indonesia*. In *south Korea*, paper production rose from 34,500 tons in 1953/54 to 64,400 tons in 1954/55. In *Pakistan*, the output of different varieties of paper increased substantially during 1954/55, as a result of full operation of the Karnaphuli paper mills (using bamboo as raw material) and of two paper and board mills; the establishment of a pilot newsprint plant is also being undertaken by the PIDC.

TABLE 12

CEMENT PRODUCTION, IMPORT AND EXPORT, 1948, 1951 AND 1954

('000 tons)

	Production	Imports			Exports		
		Total	From countries of the region	From countries outside the region	Total	To countries of the region	To countries outside the region
1948							
China: Taiwan	236	—	—	—	32	..	..
Mainland[a]	817	..	..	..	..	..	..
India[b]	1,578	149	71	78	..	..	..
Japan[a]	3,277	—	—	—	455	431	24
Other ECAFE countries[c]	705	657	209	488	77	100	9
Total	6,613	..	..	..	..	..	..
1951							
China: Taiwan	389	—	—	—	51	22	29
Mainland	2,602	..	..	..	..	..	..
India[b]	3,247	6	5	1	60	38	22
Japan	6,547	—	—	—	834	511	323
Other ECAFE countries[c]	1,407	831	429	402	72	67	5
Total	14,192	..	..	..	..	..	..
1954							
China: Taiwan	536	30	30	—	24	23	1
Mainland	4,605	..	..	..	..	..	..
India[b]	4,469	8	4	4	102	86	16
Japan	10,675	—	—	—	905	753	152
Other ECAFE countries[c]	1,975	1,308	694	614	53	46	7
Total	22,260	..	..	..	..	..	..

a. 1949 figures.
b. Years beginning April.
c. Comprising Burma, Cambodia, Ceylon, Hong Kong, Indonesia, Korea (South), Laos, Malaya, Pakistan, Philippines, Thailand and Viet-Nam.

Burma—1948: Oct 1947-Sept 1948; 1951: Oct 1950-Sept 1951. Cambodia, Laos, Viet-Nam: 1954 figures for imports relate to Jan-Nov. Pakistan-for 1951, sea-borne, year beginning April; overland, year beginning July; for 1954, sea-borne only. Philippines-for imports, derived figures relating to import from China: Taiwan and Japan only.

basic chemicals (such as fertilizer and caustic soda) industries are growing up in China, India, Pakistan and the Philippines, and may be regarded as falling under this category. In mainland China and India, the development of this type of industry is receiving the greatest attention in the economic development plans; in most other countries, however, it is generally limited.

Fourthly, there are industries producing mostly for export, especially in Japan and Hong Kong, where the proportion of manufactured goods exports in total export is higher than in other countries like India, Pakistan and China. The case of jute manufacturing in Pakistan exemplifies a trend, lately observable in the region, of development of the processing of those raw materials which have been the special export commodities of the region. Other examples of this kind are rubber re-milling plants and tyre manufacture which are being planned in Indonesia.

In the sections that follow, major developments in fuel and power, iron and steel and cotton textiles are reviewed.

Fuel and power

The known coal resources of the region are rather meagre. All countries of the region have some, though the quality and quantity vary, with low-grade coals predominating. Only China, India, Japan, Korea and Viet-Nam have substantial reserves of high-grade coals. Crude-oil resources are also limited, though in mainland China, India and Pakistan, large-scale prospecting is currently being undertaken. On the other hand, the region has an enormous potential in hydro-electric power, the development of which has been receiving priority in almost all countries of the region.

Coal: Production of coal in countries of the region has been more or less stable in the last few years, except in mainland China (see table 13). Output of coal in the region in 1954 was about 171 million tons, or about 12 per cent of world production.[1] In *China,* the expansion of coal output appears to have been fairly rapid. Under the First Five-Year Plan, annual output on the mainland is scheduled to rise by 80 per cent from 63.6 million tons in 1952 to 113 million tons in 1957. Emphasis is being laid on mechanization of coal mines to raise productivity through wider use of coal combines, mechanical cutters, pneumatic picks, etc. In *India,* production of coal showed a moderate increase of 5 per cent between 1952 and 1955, as compared to an increase of 23 per cent in the general index of industrial production during the same period. However, with new emphasis on heavy industries in the draft Second Five-Year Plan, increased coal production is receiving larger attention. An ambitious programme to expand coal output by 60 per cent, to 60 million tons by 1960, is included in the draft second plan. At the same time, a committee of enquiry into the coal industry has recommended immediate nationalization of all private collieries mining metallurgical or high-grade coal. In *Afghanistan,* the government has plans to increase coal production. Production of lignite started in 1955 in *Thailand.* In *south Korea,* coal

1. Excluding the USSR.

production increased substantially from 890,000 tons in 1954 to 1,188,000 tons in 1955 (annual rate based on returns from January to July). In other countries of the region, there have been no substantial increases in coal output in recent years. In *Japan*, although the rehabilitation of the coal industry after the war was fairly rapid, the output since 1953 declined from 48 million tons in that year to 44.2 million tons in 1954 and 42.6 million tons at an annual rate in the first half of 1955. The decline has been mainly due to the increased competition of other industrial fuels, such as heavy oil and electricity. Under the law for rationalization of the coal industry, the government has been authorized to restrict the output of coal and the opening of new pits and to control prices, while the closing down of inefficient mines is facilitated by the recently established Coal Mines Liquidation Board. Owing mainly to natural deterioration in the condition of mines, labour productivity has fallen below the pre-war level. In order to reduce production cost to a point competitive with that of other fuels, the draft Six-Year Plan envisages the raising of labour productivity per worker per month from 12.5 tons in 1954 to 18.4 tons in 1960.

TABLE 13

COAL PRODUCTION, 1952–55

(million tons)

	China		Japan	India	Other ECAFE countries[a]	Total
	Taiwan	Mainland[b]				
1952	2.3	63.5	44.9	36.9	3.5	151.1
1953	2.4	69.3	48.0	36.6	3.7	160.0
1954	2.1	83.3	44.2	37.4	3.7	170.7
1955[c]	2.3	92.9	42.6	39.0	4.0	180.7

a. Including Ceylon, Indonesia, Korea (south), Malaya, Pakistan, Philippines and Viet-Nam.
b. Crude coal production.
c. Annual rate based on Jan-Jun 1955 except for mainland China, for which the annual target is used.

Petroleum and gas: Production of crude petroleum in the region is concentrated largely in Indonesia and British Borneo (Brunei and Sarawak). In 1954, 16.4 million tons—or about 95 per cent of the crude oil production in the region excluding mainland China—were produced in Indonesia and British Borneo. In *Indonesia*, production continued to increase from 10.2 million tons in 1953 to 10.8 million tons in 1954 and 11.6 million tons at an annual rate in the first half of 1955. Crude oil in Indonesia is produced and refined mainly by foreign firms, and under the agreements[1] on taxes and company retention of exchange earnings between the government and foreign oil companies, foreign firms have continued to invest in expanding production. In *British Borneo*, output of crude oil in 1954 was 4.8 million tons and remained at the same level in early 1955. In *Burma*, production increased substantially from 115,000 tons in 1951 to 176,000 tons in 1954. However, it is still far below the pre-war level of one million tons. An additional refinery at Syriam with a daily capacity of 682 kl at the initial stage, to be raised to 1,136 kl at the full operating level, is under construction and expected to be completed in mid-1956.

In *China*, production of crude oil on the mainland is scheduled to increase to 2 million tons or by 360 per cent by 1957 under the First Five-Year Plan. As the production of crude oil on any significant scale is of rather recent origin, the level of output itself is still quite low. Large-scale oil prospecting, however, has been started in 1955 in Sinkiang province (the Turfan and Dzungaria basins), Chinghai province (Tsaidam basin) and Szechwan province.

In *Japan*, crude oil from domestic sources can meet only a small fraction of the domestic demand. Stimulated by the increasing demand for petroleum as industrial fuel, the expansion in refining capacity has been rapid in recent years. Output of petroleum products continued to increase from 6 million kl in 1953 to 7.4 million kl in 1954 and 7.9 million kl at an annual rate in the first half of 1955. The draft Six-Year Plan envisages the expansion of domestic production of crude oil, and economy in the consumption of petroleum.

In *India*, under agreements between the government and foreign firms, significant progress has been made in the establishment of an oil-refining industry. The first two of three refineries, with a combined capacity in full operation of 3.3 million kl of liquid petroleum products, have been built and arrangements to build the third one, with a capacity of refining 500,000 tons of crude oil, have been completed. A project to establish a fourth is now under consideration. Large-scale oil prospecting has also started in Assam under the agreements concluded between the government and two American firms. The USSR has also proposed to supply equipment and expert assistance to the Government of India.

In *Pakistan*, output of crude oil at an annual rate of 264,000 tons in the first half of 1955 was virtually at the same level as in 1954. Large-scale oil prospecting was also started. The government signed oil-concession agreements with foreign firms, providing for joint exploration in the Ganges delta, the Indus valley and the area from Karachi along the coast to the Iranian frontier. A substantial improvement in fuel supply is expected from the completion of the initial stages of the Sui gas project in September 1955.[2]

Electricity: The generation of electricity in the region has increased considerably in recent years, owing to the progress in the implementation of new projects in nearly all countries. As seen in table 14, total output of electricity in the region

TABLE 14

ELECTRICITY CAPACITY AND PRODUCTION, 1952–55

	Capacity, 1955[a]	Production		
	('000 kW)	(monthly average in million kWh)		
		1952	1954	1955[b]
Japan	13,390	4,304	4,986	5,156
China: Taiwan	560	118	150	158
Mainland	1,900	635	914	1,047
India	3,500	510	627	683
Other ECAFE countries[c]	1,660	335	467	447
Total	21,010	5,872	7,124	7,491
Total, excluding Japan	7,620	1,561	2,132	2,335
World total[d]	..	85,771	100,753	118,800

Source: National statistical publications and United Nations, *Monthly Bulletin of Statistics;* China (mainland): Li Fu-chun, 'Report on the Five-Year Plan to the Young Activists' Conference', in NCNA, Peking, 28 September 1955.
a. 1954/55 for Japan, end-1955 target for India and China, and 1955 estimates for most other countries.
b. Annual rate based on Jan-Jun figures, except for mainland China for which the monthly average of the planned target is taken.
c. Burma (consumption in Rangoon area), Cambodia, Ceylon, Hong Kong, Indonesia, Korea (South), Malaya, Pakistan, Philippines (Manila), Singapore, Thailand (Bangkok) and Viet-Nam.
d. Excluding the USSR.

1. See, *infra*, chapter on Indonesia.

2. See *infra*, chapter on Pakistan.

increased by 21 per cent between 1952 and 1954, as compared to an increase of 17 per cent in world output. If Japan is excluded, however, the output of electricity in the region (including mainland China) constituted only 2 per cent of world output in 1954. Although the region has an enormous hydro-electric power potential and considerable progress has been achieved in recent years, the ratio of development to potential resources is still extremely low. For example, in India 2 per cent of the hydro-electric power potential of 40 million kW has been developed.[1] The development of electricity, however, is receiving highest attention as one of the pre-requisite of economic development in almost all countries of the region and a large number of projects to expand generating capacity are being undertaken.

Various developmental projects of the region at present envisage a total new generating capacity of roughly 10 million kW, as against 21 million kW of existing capacity. If Japan is excluded, the planned increase for other countries, 7.3 million, is nearly the same as their present capacity. Of this, *China*, with an expansion programme on the mainland under the First Five-Year Plan (1953-57) of 2.05 million kW capacity and doubling in Taiwan of the 1952 capacity of 330,000 kW by 1957, and *India*, with a projected expansion under the draft Second Five-Year Plan (1956/57—1960/61) of 2.5 million kW, take up the major portion. Other countries, however, also have relatively ambitious programmes of their own. *Pakistan*, which had increased its installed capacity from 72,000 kW in 1947 to 260,000 kW in March 1955, now has various projects in progress which, when completed, will add some 540,000 kW to the country's capacity. In *Malaya*, Singapore expects to complete by 1956 the Pasir Panjang power station with a capacity of 150,000 kW and the Central Electricity Board in the Federation has under construction a steam power station with a capacity of 40,000 kW and is planning two other stations with total capacity of 22,000 kW.[2] *Afghanistan* is expected to increase its present capacity of 14,000 kW to 350,000 kW when the Kajakai and Arghandab projects, the Sarobi hydro-electric scheme and other projects are completed. The *Philippines*, which has recently completed a second unit at the Maria Cristina hydro-electric station (25,000 kW), has now under construction the Ambuklao hydro-electric scheme (75,000 kW), and has just started the construction of Unit No. 4 of the Rockwell station (32,000 kW). In *Burma*, where the present generating capacity is estimated at 30,000 kW in the Rangoon area and 14,000 kW in 146 localities outside Rangoon, the government has an extensive development programme including the Balu Chaung hydro-electric plant with a capacity of 84,000 kW, the diesel scheme for supply of electricity in 30 towns, and the Rangoon power development projects (35,000 kW). *Ceylon*, where the government has long-run schemes to expand generating capacity from 45,000 kW to 236,000 kW, expects to complete by 1959, under the Programme of Investment, the "Hydro-electric Scheme Stage IIA" with a capacity of 25,000 kW, and is planning to start in 1956/57 the initial work on Stage IIB with a capacity of 50,000 kW. *Indonesia*, which had an installed capacity of 227,000 kW in 1954, will augment it by 150,000 through the implementation of the Djatiluhur project in west Java. *South Korea*, whose capacity was restored to about 120,000 kW by 1954 after suffering serious damage in the Korean war, expects to complete by September 1956 the construction of a thermal plant with a capacity of 100,000 kW. *Thailand* has now under examination the Yan Hee hydro-electric project with an eventual capacity of 560,000 kW (initially two sets of 70,000 kW).

On the other hand, *Japan's* programme of expansion is of a different order. The increase in generating capacity achieved during 1954-55 alone is estimated at 2.4 million kW; and by the end of the Five-Year Development Programme (1954-58) the total increase in the maximum capacity should have reached 4.6 million kW.

Although expansion plans are as outlined above, many countries of the region face difficulties in financing these projects, and the execution of some of those which have been planned may have to be postponed.

Iron and steel

Production of iron and steel is concentrated in China, India and Japan, while in some other countries projects to establish an iron and steel industry are being undertaken or studied. In 1954, production of pig iron in the region constituted about 7.5 per cent of world production, while output of crude steel was 6.5 per cent of world production. Imports of iron and steel products into countries of the region, excluding Japan and mainland China, amounted to 1.8 million tons in 1954.

Among the three major producing countries of the region, China and India are self-sufficient in the supply of raw material,[3] whereas the Japanese steel industry is largely dependent upon imports for the supply of major raw materials. Thus, for example, 82 per cent of the iron ore, more than 50 per cent of the coking coal, 40 per cent of the manganese ore and 20 per cent of the scrap consumed by Japan in 1954 had to be imported. In view of such heavy dependence on imports for the supply of raw materials, it is of special significance to examine the competitive position of Japan's steel industry. Table 15, which is compiled from Japanese source, compares, for 1954, the raw material cost situation in a leading steel mill in Japan with average conditions in several western countries. Although some of the figures in the table might be disputable and unit prices of raw materials depend a great deal on the vagaries of ocean freight charges,[4] it appears from the table that the distinct disadvantages in the price of coke and some disadvantage in that of iron ore for Japan are both counter-balanced to a large extent by relatively lower standard requirements in Japan than in other countries.

1. *Economic Survey of Asia and the Far East, 1954*, p. 115.

2. International Bank for Reconstruction and Development, The *Economic Development of Malaya, 1955*.

3. The measured, indicated and inferred reserves of iron ore in the ECAFE region are estimated at about 27,000 million tons, mostly in India (21,000 million tons), China (4,180 million tons), Korea (424 million tons), Malaya (65 million tons), Japan (64 million tons) and Pakistan (60 million tons). (United Nations, *Survey of World Iron Ore Resources*, New York, 1955, p. 31).

4. Between 1950 and 1955, the proportion of ocean freight charges in the c.i.f. price of coal imported from the United States into Japan fluctuated between 44 and 74 per cent, while the similar proportion for iron ore imported from Goa into Japan fluctuated between 45 and 63 per cent. [Ministry of International Trade and Industry, *Foreign Trade of Japan*, 1955 (in Japanese), p. 390].

TABLE 15

PIG-IRON PRODUCTION: COMPARISON OF COST OF MAJOR MATERIALS USED PER TON, 1954

	Japan	USA	UK	West Germany
Coke				
Standard requirement (kg)	699	873	1,000	951
Unit price[a] ($ per ton)	27.00	14.37	17.08	15.47
Cost of pig iron ($ per ton)	18.87	12.55	17.08	14.71
Iron ore				
Standard requirement (kg)	1,476	1,656	2,201	1,791
Unit price[a] ($ per ton)	11.57	12.92	7.09	10.06
Cost of pig iron ($ per ton)	17.08	21.40	15.61	18.02
Scrap				
Standard requirement (kg)	63	50	73	93
Unit price[a] ($ per ton)	31.50	27.32	17.50	32.86
Cost of pig iron ($ per ton)	1.98	1.37	1.28	3.06
Total cost of above materials ($)	37.93	35.32	33.97	35.79

Source: "International competitive power of the Japanese steel industry as viewed from cost of raw materials", *Tekkokai (Iron and Steel World)*, October 1955, p. 58.

a. Unit prices are averages weighted for each country according to the respective composition of raw materials used in 1954.

Improvement in such standard requirements in Japan has been the result of the recent modernization programme, as is evidenced, for example, by the decline in coke consumption per ton of blast-furnace pig iron from 900 kg in 1951 to 699 kg in 1954. However, as Japan expands its steel production, the problem of securing necessary raw materials is bound to become acute. Already in the fall of 1955 the industry faced the shortage in particular of scrap, with a sharp rise in its prices; and the government had to stop temporarily the validation of exports of major steel products, while the industry agreed to curtail the production of steel ingot in the fourth quarter of the year by about 10 per cent in comparison with the previous quarter.

In mainland *China*, the development of the iron and steel industry is given one of the top priorities under the First Five-Year Plan. The total increase in steel capacity proposed in the Plan is 6.1 million tons,[1] of which 2.53 million tons are to be completed by 1957. In addition to the rehabilitation and expansion of existing plants such as Anshan, Shihchinshan, Lungyen, Penki, etc., two new iron and steel combines are to be constructed in Wuhan and Paotow, the latter being planned to utilize recently discovered large deposits of iron ore near Paotow. The etimate for 1955 of crude steel production is 2.7 million tons, or about twice the output of 1952.

India's resources for a steel industry are abundant, and production of iron and steel products has been on the increase in the last several years,[2] although aggregate demand for them has exceeded domestic output, and imports have filled the gap to some extent. A large-scale expansion of the iron and steel industry is now on the horizon, with foreign technical and financial aid. Work on the Hindustan Steel Company's (an Indo-German company) one-million-ton plant has been started. Under an agreement between the Government of India and the USSR, a start has been made in the construction of another one-million-ton plant at Bilhai in Madhya Pradesh. In August 1955, the government accepted a British proposal to construct a third one-million-ton plant at Durgapur in Bengal. Expansion of existing capacity is also planned in the private sector, such as by the Tata Iron and Steel Company.

In *Burma*, a steel rolling mill with a capacity of 16,500 tons per year is under construction and scheduled for completion by the end of 1955/56. In *Pakistan*, the Pakistan Industrial Development Corporation has concluded an agreement with Krupp of Germany for construction of an iron and steel plant with an initial capacity of 50,000 tons of crude steel.[3] In the *Philippines*, start has been made on a project to establish an electric steel plant by the government-owned National Shipyards and Steel Corporation.

Cotton textiles

Cotton spinning and weaving is the most extensively developed manufacturing industry in the ECAFE region. Total number of installed spindles in the region was estimated at 28 million, or 21 per cent of the total world spinning capacity in 1954. China, India and Pakistan are producers of raw cotton, while Japan, Korea and Hong Kong depend entirely on imports for the supply of raw cotton. As a result of expanding production of cotton textiles, India and China also depend to some extent on imported raw cotton.

There was expansion in capacity and production of cotton textiles in most countries of the region between 1951 and 1954. Progress achieved in Pakistan was especially striking. As a result of rapid expansion in both capacity and production, Pakistan has almost attained self-sufficiency in supply of course and medium-grade cotton cloth; at the same time, a marked decrease in the exportable surplus of raw cotton brought about a significant decline in export earnings. China: Taiwan has also achieved more than self-sufficiency in cotton piece-goods through a three-fold increase in production between 1951 and 1954.

In 1955, the trend of production in countries of the region was rather diverse. China, India and Pakistan continued to increase their output of cotton fabrics, while in Japan, south Korea and the Philippines production decreased in 1955 as compared to the proceeding year. Exports in 1955 from the major exporting countries in the region—Japan, India and Hong Kong—declined from the level of 1954, which was the postwar peak for the three countries combined. In Japan, during the first nine months of 1955 exports of cotton yarn and fabrics were lower by 13.1 and 15.9 per cent respectively than the level a year before. The decrease in exports was aggravated by continued weakness in the domestic market, caused by the keen competition of other textiles, such as spun rayon and synthetic products. To cope with the threat of overproduction and increasing stocks, the operation rate of the industry has been reduced to 84-88 per cent since May 1955. The rate of decline in exports of cotton piece-goods from Hong Kong and India was 13.5 and 6.1 per cent respectively for the first half of 1955 compared with the corresponding period of 1954.[4] In mainland China, although the cotton textile industry is not given a high priority under the first Five-Year Plan, production continued to increase through fuller utilization of existing capacity and a moderate increase in capacity.[5] A part of the increased production is reported to have been exported through Hong Kong.

1. This target is proposed to be reached beyond 1957.
2. The rate of increase, however, is not very rapid: in the first half of 1955, production of pig iron was running at a rate 4 per cent higher than in 1952 and production of crude steel at a rate 9 per cent higher than in 1952.
3. See *infra*, chapter on Pakistan.
4. There was an increase in exports of cotton piece-goods from some European countries and the United States in 1955.
5. During 1953/55, the planned increase in capacity is 750,000 spindles and 22,000 looms.

TABLE 16

COTTON SPINDLE CAPACITY AND COTTON TEXTILE PRODUCTION, 1954-55

	Number of spindles ('000)[a]	Production of cotton yarn ('000 tons)		Production of cotton fabrics (million metres)	
		1954	1955[b]	1954	1955[b]
Afghanistan	30	..	..	17.3[c]	..
Burma	..	1.8	1.3	..	..
Ceylon	..	0.6	0.8	4.8[d]	5.64[d]
China Taiwan	179	23.0	24.0	164.4	155.6
Mainland	6,410[d]	836.0	..	2,900.0	..
Hong Kong	225	39.4	41.0	..	340.0
India	11,721	706.8	723.6	4,584.0	4,632.0
Japan	7,853	464.4	429.2	2,661.6[c]	2,527.2[c]
Korea, South	266	20.9	26.1	117.6	85.1
Pakistan	1,316	87.1	113.5	316.8	379.0
Philippines	37	0.6	0.5	18.0	10.6
World	131,700	..	..	40,000	..

Source: Number of spindles: International Federation of Cotton and Allied Textile Industries, *International Cotton Statistics*, July 1954.

Production figures: For Hong Kong: Cotton Textile Promotion Council (India), *Texprocil Bulletin*, 25 August 1955, p. 10 and for mainland China: *infra*, chapter on China.

a. As of July 1954 for countries except mainland China (and-1955) and Pakistan (March 1955).

b. Production figures for 1955 are based on first 3-9 months. Number of spindes for countries not listed was as follows in 1954: Indonesia 98,000, Singapore 10,000, North Viet-Nam 142,000, and Thailand 35,000.

c. Fiscal year 1954/55.

d. Million square metres.

TABLE 17

COTTON YARN: PRODUCTION COST IN JAPAN, INDIA AND PAKISTAN, 1953

(in dollars per 400-lb bale of 20 count yarn)

	Raw cotton	Processing cost	Total
Japan	170	30	200
India	103	33	136
Pakistan	118	60	178

Source: All-Japan Cotton Spinners' Association, *Monthly Report of Japanese Cotton Spinning Industry*, No. 100, April 1955, p. 17.

Note: Original figures in local currencies were converted into dollars at official rates.

Some idea regarding the comparative position of Japan, India and Pakistan in the production of 20 count cotton yarn may be gained from table 17 compiled from a Japanese source. It reveals that Japan is unable to offset its competitive disadvantage in the cost of raw cotton by economy in processing cost, and that India's position is distinctly better than Pakistan's.[1] In terms, however, of labour productivity as measured by the average number of spindles handled by a worker, India's figure of 380 in 1953 stands far below Japan's (1,600--2,400) in the same year.[2] The deterioration and obsolescence of machinery[3] are considered to be the major factor for the low productivity in India. The question of rationalization, with special reference to the use of high-speed machines generally and of automatic looms in particular, has been in public discussion in recent years. In view of the unemployment which is likely to arise from rapid rationalization, however, the Textile Enquiry Committee appointed by the Indian government recommended a gradual pace of rationalization.[4]

Industrial policies

Government policies as regards patterns of industrial development, involving such issues as private versus public sector, heavy versus light industries, small-scale versus large-scale industries, are rather divergent among countries of the region. Apart from mainland China, where the private sector is rapidly disappearing as a factor in the economy, the role of the public sector in the process of industrialization is prominent in India and Burma, while in Ceylon, China: Taiwan and South Korea, and to some extent Thailand there has recently been a shift of emphasis from public to private enterprise. In Japan, Hong Kong, Malaya and British Borneo and the Philippines private enterprises are generally more important.

1. Similar figures for the United States and the United Kingdom are not available. But a comparison as of February 1950 for 20 count cotton yarn shows that whereas the cost of raw cotton per lb of yarn was 45-57 cents in Japan it was 33 cents in the United States and that whereas the mill-margin for Japan was 11.5-13.5 cents it was 31.0 cents in the United States. (All-Japan Cotton Spinners' Association, *Monthly Report of Japanese Cotton Spinning Industry*, April 1955, p. 15).

2. All-Japan Cotton Spinners' Association, *Monthly Report of Japanese Cotton Spinning Industry*, July 1955, p. 35.

3. According to the *Report* of the Working Party (under the Government of India, Ministry of Industry and Supply) for the cotton textile industry published in 1952, more than 65 per cent of the machinery in the spinning section, except some items, was installed before 1925.

4. For further detail, see *Report of the Textile Enquiry Committee*, September 1954.

5. According to the Five-Year Plan, by 1957, 87.7 per cent of total industrial output is to come from state, co-operative and state capitalist sectors, as compared with 59 per cent in 1952. (See Li Fu-chun, *Report on the First Five-Year Plan for the Development of National Economy*, pp. 15, 31). Later reports indicate that this process of socializing private industry has been further speeded up. (*People's Daily*, 25 December 1955).

In India, under the Second Five-Year Plan, the public sector is to be expanded rapidly and relatively faster than the private sector.[1] In Burma, the important industrial plants and mines are mostly State-owned and operated. In Indonesia, all large-scale projects included in the draft Five-Year Economic Development Plan (1956-60), now being finalized, are to be undertaken by the central government, while small projects are recommended to provincial governments and private enterprises.

In sharp contract to the trend in these countries, a start has been made in the transfer of government industrial enterprises to private ownership or operation in China: Taiwan (under the 1953 regulations governing the transfer of public enterprises) and in Ceylon (under the government-sponsored corporations act of 1955). In both countries, postwar industrial development was undertaken largely by government enterprises. In South Korea also, government policy to encourage private enterprise and to eliminate government control and ownership of large industries is being implemented. In most other countries, there appears to be no definite declared policy as regards the scope of public enterprises. However, basic facilities such as transport, communication and electricity are state-owned and operated in many countries of the region, and the government's role in industrialization through financial, technical and other assistances is increasing in importance.

The development of capital-goods industries is limited to a few countries, while consumer-goods industries are being extensively developed throughout the region. In China, India and Japan, capital-goods industries are given a high priority. Under the First Five-Year Plan on mainland China, 88.8 per cent of the total investment in industry is allocated to industries manufacturing 'the means of production', while investment in consumer-goods industries accounts for only 11.2 per cent. A somewhat similar pattern of industrial investment is also envisaged in India's draft frame for the Second Five-Year Plan: 78.6 per cent in heavy industries and 21.4 per cent in consummer-goods industries.[2]

In other countries, although development of heavy industries is generally receiving much less attention, it is significant to note beginnings that are being made in the spheres of ship-building, basic chemicals and fertilizers. Thus, in Ceylon, a caustic-soda-DDT factory (with an annual capacity of 1,650 tons of caustic soda and 200 tons of DDT) is expected to be completed by 1956, and the establishment of a fertilizer factory (with an annual capacity of 125,000 tons) is being contemplated. In Indonesia, a caustic soda factory in East Java was expected to be in operation in 1955. In Pakistan, a ship-repair and ship-building yard at Karachi is expected to be completed by the end of 1956. A sulphuric acid-super phosphate plant at Lyallpur started production in November 1954 and a caustic soda factory at Nowshera commenced operation in early 1955. The Dand Khel Ammonium Sulphate Plant (with an annual capacity of 50,000 tons) is now under construction and is expected to go into production by the middle of 1956.

As mentioned in the 1954 *Survey*,[3] the important role of small-scale and cottage industries is emphasized in most countries of the region, especially in view of the general shortage of capital and skills on the one hand and the pressure of population increases on the other. In India and Japan, the problem has attracted attention particularly in connection with that of employment, inasmuch as it has become quite evident in those countries that the substantial increase in industrial production along modern factory lines achieved in recent years has not been accompanied by any increase in the volume of employment. In India's draft frame for the Second Five-Year Plan, extensive development of small-scale industries is contemplated to provide for increased production of various consumer goods.[4]

In Afghanistan, a research centre to train students for cottage industries was established in 1954 in Kabul, and similar centres are to be established in other major towns. In Burma, pilot plants for sugar, a hand paper making plant and a textile weaving training centre were completed in 1954, and several other pilot plants are being developed. In Ceylon, certain industries have been especially selected for development and Rs 10 million have been allocated for their financing by the government under the Programme of Investment. Establishment of a Cottage Industries Institute, three coir workshops, a handloom industry and other schemes to develop cottage industry have been included in the Programme. In India, a Small Industries Corporation, with the primary purpose of organizaing production by small industries for government order, was organized in the middle of 1955. In Indonesia, an organization (JADO) for financing *induk* (central production and processing units) and the marketing of their products was established in 1955.

Various governmental measures for promoting industrial development such as protective tariffs, special tax allowances for depreciation, reduction of income taxes and import duties on plant, machinery and raw materials, and financial assistance, were intensified in most countries in 1954-55. Training of technical personnel has also been receiving special attention. Shortage of technical skill is one of the serious obstacles in the course of industrialization in the region. Technical assistance from advanced countries and international organizations and training of local people are important measures in this respect. Apart from technical aid by the government for small-scale and cottage industries, recent trends in the technical training of local people at various levels may be exemplified as follows.

In Burma, the Union of Burma Applied Research Institute started training of local personnel in early 1955. In Ceylon, the Institute of Industrial Research has been established in 1955. In mainland China, the training of personnel is being conducted along two lines: (a) expanding institutions of higher education and secondary vocational schools, and (b) opening various kinds of spare-time schools and training classes.[5] In India, rapid expansion of training facilities has been proposed in the draft Second Five-Year Plan. In Indonesia, several institutes of industrial research and training have been established. In Pakistan, the Pakistan Industrial Development Corporation newly started a TWI (training-within-industry) scheme in early 1955.

1. Under the Plan, of the total investment in industry (including electricity) amounting to Rs 19,000 million, Rs 14,500 million or 77 per cent is allocated to the public sector.

2. Allocation of industrial investment has been made as follows: iron and steel—30.3 per cent, heavy machinery—17.3 per cent, chemicals (including cement)—14.3 per cent, synthetic petrol—5.7 per cent, minerals and prospecting—5.4 per cent, existing state enterprises—3.6 per cent, aluminium—2.1 per cent, factory consumer goods—7.1 per cent and household and "hand" industries—14.3 per cent.

3. See *Economic Survey of Asia and the Far East, 1954*, p. 19.

4. Percentage increases in production of hand-made consumer goods between 1955/56 and 1960/61, as envisaged under the Plan, are: hand-loom cloth—103 per cent, soap—40 per cent., footwear—25 per cent, food industries—20 per cent and metal-wares—33 per cent.

5. Li Fu-chun, *Report on the First Five-Year Plan for the Development of the National Economy.*

TRANSPORT

The implementation of national economic development plans which, in many countries, made marked progress during the year under review, continues to generate increasing demands for transportation facilities. The main problem facing most of the countries of the region, aside from the increase of capacities, is the modernization of plant and equipment for more efficient handling. There is also, to some extent, the problem of maintaining a balanced development of the various forms of transport.

An idea of the situation in regard to the volume of traffic carried in the ECAFE region, as compared with that in the ECLA region and certain economically advanced countries of Europe and North America, can be obtained from table 18 which gives against the background of population density, the per capita volume of rail traffic and the number of commercial motor vehicles per 1,000 population in 1951 and 1954. Because of the difference in population density and the different patterns of geographical distribution of centres of economic activities, it is hazardous to draw any precise inferences from the table. But the following observations might be made: (1) most countries of the ECAFE region made good progress on a per capita basis with respect to rail traffic and the use of commercial motor vehicles between 1951 and 1954, especially Burma, Japan and Thailand, although India and Pakistan appear to have remained more or less stationary; (2) the relative position of the countries of the region vis-à-vis ECLA countries is best in the rail passenger traffic (obviously a reflection of population density) and worst in the number of commercial motor vehicles; the absolute position is generally inferior; (3) broadly speaking, Japan has the highest per capita figures in the region, followed by China, India and South Korea.

To a certain extent, different modes of transportation are substitutable. Thus the Philippines' and Malaya's low volume of rail traffic must be partly due to the relatively more widespread use of trucks which is clearly evidenced in their per capita number of commercial motor-vehicles. With the development of the economies of the region the distribution of freight traffic for domestic trade among the various modes of transport is likely to shift. Such statistics are at present available only for Japan. Of the total tonnage of 734 million tons recorded in the fiscal year 1954/55,[1] trucks carried 67.2 per cent, railways 25.7 per cent, and coastal steamers and wooden vessels the remainder.[2] The increase of the total tonnage over the previous year (34.5 million tons) was almost entirely accounted for by the increase in carriage of miscellaneous goods by small motor vehicles, indicating a rather sudden rise, in recent years, in the use of such vehicles in Japan.

1. From 1 April 1954 to 31 March 1955.
2. Economic Planning Board, *Economic Survey of Japan, 1954-1955*, p. 217.

TABLE 18

ECAFE AND OTHER COUNTRIES: PER CAPITA VOLUME OF RAIL TRAFFIC AND NUMBER OF COMMERCIAL MOTOR-VEHICLES PER 1,000 POPULATION, 1951 AND 1954

	Per capita rail traffic (net ton-km)		Per capita rail traffic (passenger-km)		No. commercial motor vehicles Per 1,000 population		Density of population per sq. km
	1951	1954	1951	1954	1951	1954	1954
ECAFE region							
Burma	11.1	25.7	18.1	35.4	0.64	..	28
Ceylon	...	...	...	...	2.03	2.33	128
China:[a] Taiwan	121.8	157.4	258.0	239.1	0.66	0.77	240
India	126.1	128.0	173.0	156.6	0.34	0.36	115
Indonesia	10.7	..	45.0	..	0.38	..	54
Japan	428.6	455.0	911.4	983.9	2.07	2.77	239
Korea, South	130.9	91.9	71.2	179.9	..	0.49	232
Malaya	62.3	53.7	..	..	4.06	4.27	53
Pakistan	62.4	61.5	131.5	106.3	0.18	..	85
Philippines	6.6	6.7	18.3	19.6	2.51	2.69	72
Thailand	28.5	34.1	96.8	117.9	0.37	..	39
ECLA region							
Argentina	1,002.6	883.2	792.5	782.5	13.78	..	7
Bolivia	101.5	..	63.9	..	3.01	..	3
Brazil	170.8	..	198.9	188.0	4.25	6.16	7
Chile	386.9[b]	385.9[b]	295.4	269.7	5.78	7.38	9
Colombia	50.9	53.5	65.2	54.8	2.75	..	12
Mexico	356.5	278.2	126.7	..	5.73	..	15
Peru	53.5	..	28.3	..	3.38	..	7
Others							
USA	5,844.7	4,937.4	361.3	290.6	56.79	58.81	21
UK	744.5	711.2	685.2	656.3	20.02	21.78	208
France	1,074.7	969.7	665.2	611.5	22.89	28.52	78
Italy	238.6	269.9	442.9	451.7	5.31	7.11	161

a. According to Teng Tai-Yuan (Minister of Railways), the average annual volume of freight carried per km of railways in 1952 was 3,540,000 tons (*People's Daily*, 23 July, 1955). For an estimated total length of 23,500 km of railways in 1952, the total volume of freight carried in 1952 may be estimated at 83, 190 million ton-km, which if divided by a total population of about 570 million in 1952, would give a per capita rail traffic of 145.95 ton-km.

b. Gross ton-km.

Rail transport

Available statistics indicate little significant addition during the year to the locomotive power on most railways of the region, except in Japan, where notable additions have been made. Broadly speaking, there has been little change in the number of passenger and freight cars. Some additions to passenger rolling-stock have been made in Hong Kong, Japan and Thailand, with a slight decline in the Philippines. As regards freight cars, there has been some decrease both in Japan and in the Philippines, and a small increase in Thailand. Available information is not sufficient to indicate any significant changes in the length of railway networks in the region, except in mainland China where 2,640 km of railways were added during 1953-55 (1,240 km in 1955).[1]

Although there has been improvement in efficiency of operation and carrying capacities, certain basic problems continue to face many of the railways of the region. For example, lack of modern equipment, particularly signalling and tele-communications, and inadequate workshop facilities, have hampered efficient freight-train operation and distribution of freight cars on the Thai State Railways. Shortages of motive power and trained technical personnel have handicapped the railways in the Philippines in improving efficiency of operation. Paucity of vacuum-brake-fitted freight rolling-stock has, to a certain extent, adversely affected the efficiency of freight-train operation on the Pakistan railways. Insufficient storage accommodation and unsuitable or inadequate yard and terminal facilities have continued to affect the turn-round of freight rolling-stock on the Malayan railway.

One of the developments in international rail communications during the year has been the announcement that on 1 January 1955 the railways on mainland China started a joint international rail transport service with several other nations. Aside from the augmentation of through-rail service facilities between India and Pakistan, which have been in operation for some time, a further step in international co-operation was taken when an agreement was reached between the two governments for the supply of 28 board-gauge railway coaches and 22 under-frames by the Government of India to the Pakistan railways. In addition, 12 locomotives and 300 cars have also been hired out to the Pakistan railways.

From the point of view of both the magnitude of investment and the targets set, railway development plans of *India* and *mainland China* lead the rest of the region. In the proposed programme of investment for the Second Five-Year Plan, which will commence in 1956, the Indian Ministry of Railways proposes an expenditure programme of Rs 15,000 million, which will include, *inter alia*, the construction of 4,800 km of new lines, electrification of 2,900 km, in addition to large sums for acquisition of new rolling stock, extension of workshop facilities, etc. Railway development planning on mainland China is on an equally ambitious scale. Under the current five-year plan, a sum of Yuan 5,671 million has been allocated for the construction of railways, which envisages the reconstruction of 6,000 km of existing lines and building of 4,000 kilometres of new lines. Among the other important development projects in the countries of the region, mention may be made of the extension of the Jacobabad-Kashmere line in *Pakistan* to serve the area lying to the west of the Indus river for economic development, and to provide an alternative link between Karachi and the Punjab, Baluchistan and North-Western Frontier Province. The *Ceylon* Government Railway has also included in the programme of investment (1955-60) a proposal for the re-laying of the railway linie to Battaticalea-Trincomalee with heavier rails. The present lighter rails have heretofore prevented the running of heavy diesel locomotives on this section, but they will under this plan be replacing steam locomotives as the latter present special difficulties owing to the shortage of water supply in the area. To aid in the development of the rich agricultural Cagayan Valley, the National Economic Council of the *Philippines* has approved a proposal to construct a 21-km extension of the Baenotan line. Under a loan agreement with the International Bank for Reconstruction and Development, the State railways of *Thailand* obtained in August 1955 a 15-year loan of $12 million for the purpose of improving their operating efficiency. It is understood that a part of the funds will be utilized for improving the tele-communications system on the Thai State Railways.

An example of a project promoting international co-operation in the extension of the Thai State Railways from Udorn to Nongkai on the Mekong River opposite Vientiane. This will provide land-locked *Laos* with an access to the sea. Other important measures adopted by the railways of the region to encourage freer movement of freight traffic include freight-rate adjustments, such as the reduction of freight rates for long-distance movement of foodgrains and fertilizers by the Indian Government Railways. The Thai State Railways have also recently adjusted freight rates as a means of reducing the cost of living and bringing down the export prices of certain commodities.

Most countries of the ECAFE region continue to depend to a very large extent on imported equipment for the operation of their railways. However, India, like Japan, has for some time been manufacturing a fair proportion of its equipment including locomotives, passenger and freight cars. It is understood that the rate of manufacture of equipment, particularly locomotives, has been stepped up and that during 1954/55, 200 broad-gauge (5′6″) locomotives, and 75 metre-gauge locomotives have been turned out by indigenous manufacturing plants. The Indian Government Railways have launched a scheme of self-sufficiency to the maximum extent possible for railway equipment of all types and a committee has been set up to make recommendations. For the first time, it is reported that Pakistan has commenced the manufacture of passenger rolling stock; the current schedule of production includes 60 passenger cars. Mainland China is also meeting part of its requirements in locomotives and freight cars from domestic production.

Highway transport

In spite of the vigorous efforts made to accelerate the pace of highway development, and the large sums being invested in highway development programmes, the gap between demand and avaliability in the ECAFE region as a whole still seems to be wide. Problems relating both to finance and to techniques continue to face governments of the region; and in this region, as in many other parts of the world, the improvement of the pavement standards of a large part of the highway networks built before the days of fast and heavy automobile traffic presents serious technical problems. Inadequacy of finance, and procurement problems of cement, steel, asphalt, etc. in some countries have retarded surface upgradings, although the situation is gradually improving.

1. *Infra*, chapter on China.

Throughout the region, highway development plans are proceeding with varying combinations of objectives in view. *India*, for example, finds the expansion of road building desirable not only for augmenting communications, but also for providing employment. Thus, its draft Second Five-Year Plan envisages an expansion of the national system of highways from about 20,000 km to 28,000 km and of State roads from 32,000 km to 56,000 km. The Government of *Pakistan*, under its aid agreement with the United States, is undertaking the construction of a special highway linking two major cities, Karachi and Quetta. It is expected that when the proposed highway is completed, it will not only cut the travel time in half by reducing the distance between the two cities, but will also considerably reduce the cost of road transportation. Another similar example is the construction of a new 25-km road section extending the Davao-Agusan highway to 129 km in the *Philippines*. Abaca, one of the principal cash crops in the Philippines, is reported to be transported to Davao on the new highway at one-sixth the former cost. Both *Afghanistan*[1] and *Nepal*, which hitherto have been very poorly served by roads because of physical and climatic conditions, have in recent years been devoting considerable attention to road development.

On *mainland China*, in line with other aspects of economic development planning, highway development has also received considerable attention. In the First Five-Year Plan (1953-57), it is proposed that 10,000 km of roads be built, restored or reconstructed as part of the programme for the modernization of its transport system.

Through international co-operation in the form of financial and technical aid, provided both by the United States and other neighbouring countries, such as the USSR in the case of Afghanistan and India in the case of Nepal, progress is being made in highway construction and improvement. During 1954-55, 225 km of roads were reported to have been re-surfaced in Afghanistan. A new link to obviate delays in land transportation, an all-weather motorable road, is being built from Kathmandu across the mountains to Rhainse Dhonban in *Nepal*, which will eventually link with the present road system on the Indo-Napalese border. To facilitate the transport of paddy and to speed up the development of the Selangor rice-bowl area in *Malaya*, a dual road connecting Temerloh-Maran was opened in June 1955. Under the United States economic aid agreement, a key road providing *Cambodia* with an alternative trade outlet is being planned to link up with the Bay of Kampong Som. In *Ceylon*, a new road running from Morawaka to Badureliya which will shorten the route distance between Colombo and Morawaka by about 65 km to the benefit of the agricultural community is being built by the rural development society of the area. Besides a 100 million baht appropriation made by the Government of *Thailand* for the construction of highways during the year additional funds are also being made available for the construction of 300 km of highways in the north-eastern part of the country under the bi-lateral aid agreement with the United States.

Some governments of the region, notably those of Ceylon, India and Malaya, have been encouraging the development of rural roads by village communities through "self-help schemes". The levying of tolls as a means of financing highway construction has received some attention, and recently both Japan and Thailand have introduced toll highways. As a means of financing rural road communications, the Indian Taxation Enquiry Commission has recommended the creation of a rural communication fund which, by making substantial and non-lapsible allocations, would assist in the development of rural road communications. The Government of Afghanistan has provided special financial aid and also made available foreign exchange at a special rate for the purchase of commercial motor vehicles; reductions in the price of petrol and exemptions from income tax in the case of private operators have also been granted.

Inland waterways

On the whole, the economy of inland waterway transport has continued to improve. An increasing number of diesel engines is being employed; welding finds an ever wider application and experiments with push-towing as well as the use of tunnels and Kort nozzles[2] for tugs have become increasingly common.

In south *Viet-Nam* and *Cambodia*, pusher craft has continued to operate successfully in the oil trade. In paddy transport, this method is less suitable because small units are required and they must be added to or cast off from the flotillas fairly frequently. In view of this, pull-towing will continue to play an important part and prototypes of vessels of improved designs have already been constructed and will shortly be tested in actual operations. At the same time, the possibility of increased application of welded construction is being investigated. In Cambodia, dredging equipment supplied through the United States aid has arrived and will be used to increase the depth of the main channel of the Mekong river to permit larger and deeper-loaded vessels to ply up to Kratié. In *Laos*, the newly-built government-owned fleet is practically completed. Several units have already been put in operation. All powered vessels belonging to the fleet are fitted with standard-type diesel engines. Plans for improving the navigability of the Kemmarat Falls, by construction of a dam that will serve irrigation and power development as well, have been discussed together with proposals for the building of a power plant with a lateral canal and shiplock at the Khone Falls. The latter plan is, however, still in a preliminary stage and it will probably be considered further in conjunction with other schemes to improve navigability of the Mekong river between Kratié and the Khone Falls or with other methods (by using road or rail transport) of linking the upper and lower Mekong to give Laos the full benefit of access to a seaport, while utilizing cheap inland waterway transport.

In *Thailand*, extensive dredging works are being undertaken to improve the depth of inland waterways and to extend their length. Six regulators and navigation locks are under construction. An eleven-year development programme has been taken in hand, including improvement of 41 canals. Under this programme, 1,200 km of canals will be constructed or improved to a standard cross-section of 30 square metres. During the first year, the length of perennially navigable waterways will thus be increased by some 400 km.

In *Burma*, the government-owned Inland Water Transport Board has ordered a substantial number of vessels from abroad, and in addition, it is also engaged in a stepped-up building programme of its own. A centre has been established for the

1. The direct benefits that would accrue from a more adequate system of highways is demonstrated in the case of Afghanistan in the prices of agricultural commodities. It is estimated that a soor (7 kg) of wheat in Mainona province costs 7 1/2 afghanis, and in Kabul 21 afghanis. The price differential is chiefly attributable to lack of transport facilities.

2. The Kort nozzle is a special device fitted over a propeller to increase efficiency.

training of diesel margin mechanics; it is improving the maintenance and repair standards of the diesel-powered craft used in the country.

In *India*, attention is being focused on the demonstration/pilot project on the upper Ganga river, but other waterways including those in the southern part of the country will also be improved. The craft for the demonstration/pilot project on the Ganga has already been designed and a tank test completed. All tugs will be fitted with Kort nozzles. River-training works on the Ganga have been carried out successfully and river surveys have been made. It is proposed that these surveys be extended to other rivers, such as the Yamuna, Godavari, Gandak, Krishna, Narbada and Papti. After the successful completion of four navigation locks on the Damodar Valley canal, designs of fifteen more locks out of the proposed number of twenty-two have been completed. The work on the Tungabhadra canal is proceeding gradually. The entire canal is scheduled to be completed in 1958.

In *Pakistan*, the dredging fleet, consisting of 20 large units which have been acquired recently, is being put into operation for improvement of navigable channels in the eastern wing of the country. Considerable progress has been made in the provision of maintenance facilities for inland water transport vessels, which until recently were almost completely lacking. A large side-slipway has been built at Narayanganj and more will be constructed in the near future. In order to improve the turn-round of vessels, particular attention is being paid to increasing facilities for night navigation. More light buoys are being installed and experiments are being carried out with various types of reflective material to improve the visibility of buoys and shore marks by night and to make them easier to locate with the aid of searchlights.

In *mainland China*, inland waterways open to navigation have reached the 100,000 km mark, of which 30,000 km are navigable by steam launches. This is estimated to be one-third more than in 1949. Night navigation on the longest waterway in mainland China, the Yangtze river, has now been extended to Chungking from Shanghai. Besides the addition of new docks and warehouses at the major ports on the river, clearance and reconstruction of narrow channels in the upper reaches of the river in Szechwan Province have also been undertaken. Numerous improvements have been made to facilitate navigation on other major inland waterways such as the Pearl River, the Grand Canal and the Sungari river. Several tributaries of the Yangtze such as the Kialing and the Minkiang have been dredged and cleared for navigation. Improvements to river navigation have also been made in more remote areas where highways and railways are lacking.[1]

From the point of view of international inland waterway traffic, significant developments have taken place in the region, which should have a lasting effect in facilitating international traffic and in bringing the countries of the region closer together. The Inland Waterway Sub-Committee of the Economic Commission for Asia and the Far East, at its third session held in October 1955, recommended to governments the adoption of uniform systems of buoyage and shore marks for inland waterways in Asia and the Far East. It furthermore reached agreement on the text of a Convention Regarding the Measurement and Registration of Vessels Employed in Inland Navigation which should go a long way towards simplifying frontier formalities and eliminating delays in connexion with measurement and registration procedures.

1. NCNA, Peking, 4 September 1955.

Ocean and coastal shipping

With the exception of Japan,[2] the participation of the countries of the region in ocean-going tonnage and traffic has been limited. There are, however, signs that this picture will change significantly in the not distant future. A number of the countries of the region now have plans for the reconstruction, modernization and expansion of port facilities, for the acquisition and domestic construction of modern ocean-liners and freighters, for the encouragement of nationals to participate in ocean-going traffic through coastal reservation and provision of incentives and for the setting up of training facilities for marine engineering personnel and labour force. Thus the foundations of a long-term shipping policy are being laid.

The immediate need, however, of the countries of the region is port development. Certain ports, like Rangoon, were destroyed during the last war. Rangoon has now been completely reconstructed. India has improved and expanded port facilities at Bombay, Cochin, Madras and Calcutta and a major port is coming up at Kandla on the west coast. In Pakistan, a new port at Chalna in East Bengal is making satisfactory progress. The annual handling capacity of Chittagong port has increased from 0.6 million tons in 1947 to 1.8 million tons in 1949 and may well reach 4 million tons in 3 to 4 years. There is a project for modernizing and expanding port facilities at Karachi with the help of a loan of $14.8 million from the International Bank for Reconstruction and Development, sanctioned in early 1955. In mainland China, the new Tangku Harbour in the North, open to traffic on 17 October 1952, helped a raise the 1954 tonnage entered and cleared at the Port of Tientsin. Tsamkong in Kwangtung province is being built as a new harbour (across the Hainan Island),[3] which is also the terminus for the 314 km Litang-Tsamkong railway completed in 1955. In Ceylon, the docking facilities at Colombo are being developed. In Cambodia, the access to the port of Phnom-Penh has been improved and a new port is being built at Kampong Som. Throughout the region, the ports are now handling a larger and increasing volume of traffic.

In the building up of a merchant marine, Japan's performance has been especially noteworthy. Its gross tonnage, reduced from 5.6 million tons in 1939 to a little over one million in 1948, increased to 3.6 million tons in 1954 when it attained the seventh position in the world shipping list. The country is likely further to improve its relative position in the world with the completion of its ship-building programme now under way for the construction of 65 ships totalling 567,775 tons gross,[4] followed by another programme to build ships totalling 220,000 tons gross between April 1956 and March 1957.

India, with total tonnage now standing at less than 500,000 tons, has begun strenuous efforts to expand it. The Hindustan Shipyard at Visakhapatam delivered, on 22 June 1955, its

2. Japan handled 63 per cent of its foreign trade in 1938 with its own ships. The corresponding proportion in 1954, at 45 per cent, was higher than in earlier post-war years.

3. *Ta Kung Pao*, Hong Kong, 28 February 1955, NCNA, Peking, 4 July 1955.

4. The orders on books assure full work at the ship-building yards for the next two years and place Japan as the third ship-exporting country in the world after the United Kingdom and Germany.

thirteenth ship (the 700-ton cargo ship Jalavihar) which was the first modern diesel-engine ship built in India. This ship-yard is being expanded and improved and there is a proposal to set up another ship-building yard under the draft Second Five-Year Plan. The government is encouraging private parties to buy ships by advancing money to them at 4.5 per cent interest for coastal shipping and at 2.5 per cent for overseas lines. The First Five-Year Plan had such a loan provision of Rs 220 million (which has been largely disbursed or sanctioned) and the Second Five-Year Plan is likely to provide Rs 600 million for raising tonnage by nearly half a million to over a million tons by 1961. The present target of 0.6 million tons is likely to be reached in 1956. Thus, India's share in the handling of its own foreign trade promises to improve, but as yet it remains comparatively small.[1]

Pakistan's merchant fleet, primarily engaged in coastal traffic, has increased from 9,877 tons at the time of partition to 140,502 tons by 1955. The government has under consideration the establishment of a national steamship corporation for operation in foreign trade in collaboration with Pakistani shipping companies, but there are financial difficulties in the establishment of this corporation. Pakistan has a project for building a ship-yard at Karachi, for which the Pakistan Industrial Development Corporation signed an agreement with a German firm in 1952. Also it has been decided to construct at Karachi a commercial dry dock, sufficient to take in ocean-going vessels. In *Ceylon*, agreement has been reached in principle regarding the establishment of a national navigation company (with a five-year monopoly of government freight) in association with a group of Norwegian ship-owners, who will contribute a quarter of the capital. In *Indonesia*, the government proposes to reserve inter-inland traffic for the N.V. Pelajaran Nasional Indonesia (Pelni) and coastal shipping for private national companies. Ocean shipping will be operated by government as well as by private enterprise, with increasing participation of Indonesians. The *Philippines* has passed legislation (Philippines Overseas Shipping Act, 1955) for the development of its merchant marine through government loans, tax exemptions and compulsory investment of profits. During the next five years, ₱20 million will be lent every year for the purchase of ships up to 75 per cent of their value.

1. The following table shows the proportion of Indian shipping on the basis of tonnage of ships entered and cleared at the Indian ports.

Percentage of Indian tonnage to total tonnage of ships

	Total trade		Coastal trade	
	Tonnage entered	*Tonnage cleared*	*Tonnage entered*	*Tonnage cleared*
1949	2.8	5.4	23.5	24.1
1953	6.7	9.8	49.0	51.9
1954	7.3	9.9	48.8	50.2
1955 (Jan-Aug)	8.1	11.0	..	..

Source: *Accounts Relating to the Foreign Trade and Navigation of India*, August 1955; *Monthly Abstract of Statistics* (of India), May 1955.

TRADE AND PAYMENTS

Commodity trade

Exports

From the standpoint of the proportion of export value to gross domestic production of the country, the region can be divided into three fairly distinct groups. Firstly, there are Burma, Ceylon, Malaya and Thailand whose exports, in recent years, have consistently occupied 20 per cent or more of their respective gross domestic products.[2] Secondly, there are those countries, such as Indonesia, Japan, Pakistan and the Philippines, where the ratio has fluctuated around 10 per cent. In the third group, including China (mainland),[3] India and Korea (south), the ratio has been around 5 per cent [see table 19].

2. The ratio for Malaya will be reduced by approximately one-third when re-exports are excluded but will still stand at 43 and 35 per cent for 1952 and 1953 respectively. See F. Benham, *The National Income of Malaya, 1947-49* (Government Publications Bureau, Singapore, 1951) for estimates of the proportion of domestic product in the total exports of Malaya, which, according to him, stood at 68.1 per cent as average of four years, 1947-50.

3. On the basis of the estimates that gross national product in 1952 was in the neighbourhood of $30,000 million and that exports in 1954 amounted roughly to $1,800 million, the ratio in question may be calculated as approximately 5 per cent, assuming that there was some increase in gross national product between 1952 and 1954.

TABLE 19

TOTAL EXPORT AND GROSS DOMESTIC PRODUCT, 1952-1954

('000 million)

	Burma (k)	Ceylon (Rs)	China (Taiwan only) (NTS)	India (Rs)	Indonesia (Rp)	Japan (Y)	South Korea (Hwan)	Malaya (M$)	Pakistan (Rs)	Philippines (P)	Thailand (Baht)
Total exports											
1952	1.25	1.41	1.47	6.2	10.65[a]	569[b]	1.95	3.92[c]	1.76	0.704	5.84
1953	1.13	1.49	1.98	5.3	9.58[a]	619[b]	3.99	3.02[c]	1.45	0.808	5.90
1954	1.14	1.71	1.45	5.6	9.76[a]	672[b]	6.68	3.11[c]	1.19	0.810	5.75
Gross domestic product											
1952	4.08	4.53	10.62[d]	108.1	93.42	6,193	193.79	6.35	18.08[d]	7.89	29.03
1953	4.62	4.64	15.06[d]	115.4	..	7,142	248.65	5.78	19.31[d]	8.34	..
1954	4.58	5.04	16.95[d]	..	..	7,387	407.47	..	..	8.57	..
Exports as percentage of gross domestic product											
1952	30.6	31.1	13.8	5.7	11.4	9.2	1.0	61.7	9.7	8.9	20.1
1953	24.5	32.1	13.1	4.6	..	8.7	1.6	52.2	7.5	9.7	..
1954	25.1	33.9	8.6	..	..	9.1	1.6	..	..	9.4	..

Time reference: *Total exports*—Calendar years. *Gross domestic product*—see *infra*, Asian economic statistics, special table K, footnote.

a. From 13 March 1950 to 3 February 1952 inclusive, excluding value of exchange certificates. For 1 January to 3 February 1952, import and export values are based on 3 times of official exchange rate and from 4 February 1952 onwards they are based on official exchange rate of the Bank Indonesia.

b. Including procurement contracts awarded by US armed forces and civilian agencies.

c. Including re-exports.

d. Net domestic product.

TABLE 20

ECAFE REGION: EXPORTS OF EIGHT MAJOR PRIMARY PRODUCTS, 1953-55

(million US$)

	1953		1954		1955 (first half)	
	Value of exports	% of total exports	Value of exports	% of total exports	Value of exports	% of total exports
Rubber	835.5	16.2	849.4	14.6	612.7	22.5
Tea	429.2	8.3	573.7	9.9	251.5	9.2
Rice	370.1	7.2	380.4	6.6	211.6	7.7
Oils and oilseeds	315.9	6.1	370.1	6.4	172.3	6.3
Sugar	189.5	3.7	182.1	3.1	110.2	4.0
Tin	231.3	4.5	216.1	3.7	106.1	3.9
Jute, raw	172.6	3.4	164.8	2.8	101.1	3.7
Cotton, raw	213.7	4.2	144.1	2.5	76.8	2.8
Total	2,758.0	53.6	2,880.6	49.6	1,642.4	60.2

In view of the fact that in most of the Latin American and western European countries the ratio in question is either above or around 15 per cent,[1] it appears that countries in the second and third groups in the region stand relatively low in the world as regards the degree of export orientation of the economy. However, to the extent exports are the only normal means for obtaining essential imports, such as food and industrial raw materials for Japan and capital goods and consumer essentials for many other countries of the region, earnings from exports, even though small, often play a critical role. Particularly when countries are on the way to develop their economy, additional export earnings mean more funds for the purchase of needed capital goods for development purposes or of essential consumer goods to stave off an inflationary situation. Therefore, the crude ratio of exports to gross domestic product alone does not convey sufficiently the degree of importance which attaches to foreign trade in such a dynamic situation as is being witnessed in many countries of the region. The critical significance of marginal value has to be properly taken into account.

Except in the case of Japan, the commodity list of the exports of the region is somewhat limited. Eight commodities accounts for 50-60 per cent of the total value of exports of the region excluding Japan and mainland China, and the order of their importance, without any significant changes over the last three years, has been rubber, tea, rice, oil and oilseeds, tin, sugar, jute and cotton (see table 20). Owing to increased cotton-textile manufacturing in the region, especially in Pakistan, raw cotton is losing its importance as a significant export commodity of the region. Furthermore, the degree of specialization is severer when individual countries are separately considered. As seen in table 21, generally two of the primary commodities take up 70 to 80 per cent of the total value of exports of the country; for example, in the first half of 1955, 82 per cent (rubber and tin) in the

1. For several of the countries in Latin America and western Europe, the ratio was as follows:

Latin America	%	*Western Europe*	%
Colombia (1952)	14.2	Denmark (1954)	22.0
Ecuador (1953)	14.5	France (1954)	9.5
Guatemala (1953)	18.0	Germany (Federal Republic) (1954)	15.1
Honduras (1952)	25.2	Italy (1954)	8.3
Peru (1952	17.4	Netherlands (1954)	35.1
Venezuela (1952)	53.0	Norway (1954)	16.8
		Sweden (1954)	19.6
		Switzerland (1954)	24.0
		United Kingdom (1954)	15.6

TABLE 21

ECAFE COUNTRIES: PERCENTAGE OF EXPORTS OF TWO MAJOR PRIMARY PRODUCTS[a] IN TOTAL EXPORTS

	Commodity	1953	1954	1955[b] (first half)
Burma	Rice	61.8	80.1	77.2
	Rubber	2.2	1.9	3.6
Cambodia[b]	Rice	..	37.9	35.5
	Rubber	..	1.6	14.2
Ceylon	Tea	52.6	62.1	64.6
	Rubber	21.5	15.8	16.8
China: Taiwan	Sugar	64.2	58.0	60.3
	Rice	10.6	10.0[c]	20.7
India	Tea	19.3	15.2	17.0
	Cotton	2.1	2.1	7.6[d]
Indonesia	Rubber	32.2	30.9	41.1
	Oils & oilseeds	11.1	9.7	7.0[e]
Malaya[f]	Rubber	40.8	42.7	54.1
	Tin	13.0	13.3	11.2
North Borneo	Rubber	41.4	31.1	38.7
	Oils & oilseeds	12.8	34.4	13.9
Pakistan	Jute	38.3	45.9	48.9
	Cotton	43.4	29.4	29.2
Philippines	Oils & oilseeds	33.1	42.9	28.8
	Sugar	24.2	26.1	34.8
Thailand	Rice	55.4	49.4	51.8
	Rubber	11.6	16.1	21.7
Viet-Nam[g]	Rubber	31.9	41.8	46.3
	Rice	31.8	39.1	21.8

a. The two major primary products for each country in each year given are selected from the eight commodities listed in Table 20, according to their importance in total exports of each country. For Brunei, exports of crude petroleum which are not included in the eight products, accounted for 93.4 per cent of total exports in 1953 and 95.9 per cent in 1954. For Sarawak, exports of pepper and rubber accounted respectively for 31 and 20 per cent of total domestic exports in 1953, 27 and 19 per cent in 1954, and 14 and 43 per cent during the first half of 1955.

b. 1953 figures included under Viet-Nam.

c. Tea.

d. Oils & oilseeds.

e. Tin.

f. Including re-exports. For the Federation of Malaya alone, the ratios of rubber and tin to total exports are much higher, as indicated below:

	1953	*1954*	*1955 (Jan-Jun)*
Rubber	55.3	54.3	64.4
Tin	22.1	22.6	17.2

g. For 1953, including Cambodia and Laos.

Federation of Malaya, 81 per cent (tea and rubber) in Ceylon, 81 per cent (sugar and rice) in China: Taiwan, 81 per cent (rice tnd rubber) in Burma, 78 per cent (jute and cotton) in Pakistan and 74 per cent (rice and rubber) in Thailand.

With the exception of rice, a large part of the primary commodities of the region is exported to the industrialized countries outside the region. Naturally, therefore, export earnings of most countries of the region are likely to be affected by conditions of business activity in the United States of America and western European countries.[1] However, owing to the rather inelastic supply of such primary commodities, at least during the short period, the effects of fluctuations in the manufacturing activities of the industrialized countries on the primary exports of the region are reflected more in price than in quantity changes. The terms of trade and the export earnings of the countries fluctuate accordingly. Such changes in export earnings in the past have introduced fluctuations in money and income and therefore inflationary and defiationary pressures.[2]

During the post-war years except 1951, the share of exports of ECAFE countries[3] (excluding Japan) in total world exports was generally much lower than in pre-war (1938). Moreover, such share has been declining since 1951; it was 6.5 per cent in 1954, as compared wiith 10.3 per cent in 1938 and 1951. (see Table 22) World exports in 1954, compared with 1950, rose by 38.0 per cent, whereas those of ECAFE countries including Japan increased by 5.9 per cent and those excluding Japan declined by 8.1 per cent. Again, world exports in 1954 were 1.5 per cent higher than exports in 1951, whereas those of ECAFE countries including (excluding) Japan were lower by 27.4 (35.7) per cent. This trend tends to confirm the observation, made in a recent GATT study, to the effect that trade among industrial countries has been relatively more active in recent years.[4]

In assessing the impact of global factors on the exports of the region, it is significant to note a recent trend in the countries of western Europe to increase their imports from the dollar area, largely as a result of an improvement in their payments position and the consequent liberalization of trade restrictions with that area, and also to increase intra-European trade. For example, in the first four months of 1955, while western Europe's imports from non-dollar areas increased by 6 per cent compared with the first four months in 1954, imports from the dollar area and intra-European trade increased by 50 to 15 per cent respectively.[5] However, the countries of the ECAFE region (excluding Japan) as a group did not share even the smaller rise in the imports of western Europe from the non-dollar area. During the first quarter of 1955, while exports of these countries to Japan and the United States increased by 38 and 4 per cent respectively over exports in the last quarter of 1954, exports to western Europe declined by about 6 per cent. How far this trend is going to be enduring, of coure, remains to be seen.

At any rate, the export earnings of the primary commodities in the region in 1955 are expected to witness a moderate rise over those in 1954. During the first half of 1955 the total export earnings of ECAFE countries excluding (including) Japan were 8.3 (8.5) per cent higher, at an annual rate, than those in 1954, and the export earnings of major primary commodities[6] were 13.5 per cent higher.[7] The earnings of rubber alone in the first half of 1955 were $613 million as compared to $849 mililion in the whole year of 1954. The recent price

1. For instance the "production elasticity" of the volume of imports, that is, the ratio of changes in imports of materials used in manufacturing to changes in total manufacturing output, in the United States is found to be 0.85 for the period covering the last thirty years. It is further established that the non-food raw materials, such as rubber, wood, burlap, tin, etc., mostly imported from overseas sterling area countries, are quite sensitive and receive a substantial downward import quantity effect during recessions. See: Zassenhaus, H.K.: "Direct effect of a United States recession on imports", *Review of Economics and Statistics*, August 1955.
2. See *infra*, section on "Monetary developments".
3. Excludes Afghanistan, mainland China, British Borneo, Korea, Nepal and Thailand for which data are not available.
4. GATT, *International Trade, 1954*.
5. United Nations, *Economic Bulletin for Europe*, Vol. VII, No. 2, August, 1955, p. 11.
6. Including rice, tea, vegetable oil and oilseeds, raw jute, raw cotton, rubber, tin and sugar.
7. In 1954 for ECAFE countries excluding Japan, the percentage of export value of the primary commodities enumerated to total exports was 49.6 per cent.

TABLE 22

POSITION OF ECAFE COUNTRIES[a] IN WORLD TRADE

(million US$)

Year	EXPORTS					IMPORTS					BALANCE for ECAFE countries	
	World	ECAFE countries[a]		ECAFE exports as percentage of world total		World	ECAFE countries[a]		ECAFE imports as percentage of world total			
	(total)	Excluding Japan	Including Japan	Excluding Japan	Including Japan	(total)	Excluding Japan	Including Japan	Excluding Japan	Including Japan	Excluding Japan	Including Japan
1938	20,650	2,127	3,236	10.3	15.7	23,250	1,808	2,878	7.8	12.4	319	358
1949[b]	53,900	4,272	4,782	7.9	8.9	58,800	5,671	6,576	9.6	11.2	−1,399	−1,794
1950	55,300	5,401	6,221	9.8	11.2	58,200	4,641	5,615	8.0	9.6	760	606
1951	75,000	7,718	9,073	10.3	12.1	80,250	6,940	8,984	8.6	11.2	778	89
1952	72,250	5,795	7,068	8.0	9.8	79,250	6,772	8,800	8.5	11.1	−977	−1,732
1953	73,400	5,051	6,326	6.9	8.6	75,800	5,513	7,923	7.3	10.4	−462	−1,597
1954	76,000	4,962	6,591	6.5	8.6	78,700	4,900	7,299	6.2	9.3	62	−708
1955[c]	79,500	5,369	7,153	6.8	9.0	85,300	5,518	7,962	6.5	9.3	−149	−809

a. ECAFE countries for which data are available include Burma, Cambodia, Ceylon, China: Taiwan, Hong Kong, India, Indonesia, Japan, Laos, Malaya, Pakistan, Philippines and Viet-Nam.
b. Excluding China: Taiwan.
c. First half year at annual rate.

rise[1] in rubber, cotton and tin could be considered as a strong factor contributing to the expectation of sustained rise in the earnings of primary exports for the year 1955.

The trend of primary export prices is naturally reflected in the terms of trade of most countries of the region. Among the countries for which statistics are available, Ceylon and India fared better in 1954 than in 1953, on account of higher tea prices; so also Pakistan on account of higher jute prices. On the other hand, the terms of trade for Burma and Viet-Nam deteriorated in 1954 compared to 1953 owing mainly to lower export prices of rice. The more recent trends are quite diverse: In the first quarter of 1955, the terms of trade were worsening for Burma and the Philippines and improving for Ceylon, Malaya and Pakistan as compared with the same period in 1954. However, towards the second quarter of 1955, the terms of trade were improving for Burma and Malaya, while they were generally deteriorating in Ceylon, India, Japan and the Philippines.

Imports

Owing to the Korean-war boom the total value of imports of ECAFE countries in 1951, as included in Table 22, increased more rapidly than the total value of world imports, and reached 8.6 per cent (excluding Japan) of the latter. Since 1951 both the total value of imports of these countries and their share in world imports declined. In 1954, the total value of such imports (excluding Japan) was $4,900 million or 6.2 per cent of the world total; it stood at 29 per cent below 1951 and 11 per cent below 1953. As a result of a larger reduction in imports than in exports, the aggregate trade balance of these countries (excluding Japan) turned from a deficit of $462 million in 1953 into a surplus of $62 million in 1954. During the first half of 1955, the total value of imports of these countries, at annual rate, was $5,518 million, or 13 per cent above 1954. However, as exports increased less rapidly than imports the aggregate trade balance turned again into a relatively small deficit of $149 million, at annual rate.

The imports of capital goods[1] from 1949 to 1955 in eleven ECAFE countries (see table 23) constituted 19.3 per cent of the total imports of $35,377 million. The ratio gradually increased over the seven years, from an average of 17.4 per cent in 1949-51 to one of 21.6 per cent in 1953-55. Naturally, the ratio of imports of capital goods to total imports varied among individual countries of the region, ranging in seven-year averages from 30.2 per cent in China: Taiwan to 10.4 per cent in Malaya.

The value of capital goods imports in the ECAFE countries enumerated in the table was running at the rate of $1,133 million in 1955 or 12 per cent higher than in 1954. Of this, India accounted for more than one-third, followed by Indonesia, the Philippines, Malaya, and Pakistan which together accounted for about one-half of the total in that year. Between 1951 and 1954, while total imports of these countries declined by about 24 per cent, capital goods imports increased by about 15 per cent, reflecting obviously the efforts of ECAFE countries to promote economic development and the preference they give to imports of capital goods over consumer goods. Taking individual countries, the increased importance of capital goods in total imports is clearly seen in the case of Burma, India, Indonesia and Pakistan.[2] Among capital goods the imports of iron and steel products, used for construction and other developmental purposes, have witnessed a sharp increase in India and Malaya during 1955 as compared with previous years.[3]

2. Comprising base metals, metal manufactures, machinery and transport equipment. China: Taiwan, Pakistan and 1950/51 Philippine figures relate to iron and steel manufactures, machinery and transport equipment.

3. Percentage of capital goods imports to total imports:

	1951	*1954*	*1955*[a]
Burma	13.0	27.0	28.3
India	19.3	27.2	32.5
Indonesia	15.5	29.9	31.7
Pakistan	16.5	35.7	39.6

a. Based on first four to eight months.

Volume of imports of iron and steel products:
('000 tons)

	1953	*1954*	*1955*[a]
India	219	341	509
Indonesia	262	265	289
Malaya	147	161	239
Pakistan	136	138	172

a. Annual rate on the basis of first six months.

TABLE 23

VALUE OF CAPITAL GOODS[a] IMPORTS, 1949-1955

(Million US$)

	Burma	Cambodia, Laos and Viet-Nam	Ceylon	China: Taiwan	India	Indonesia	Malaya	Pakistan	Philippines	Capital goods imports	Total imports	Percentage of capital goods imports in total imports
1949	20.3[b]	50.8	30.5	2.6[c]	479.7	95.6	74.6	59.4[d]	116.2	929.7	4,857.0	19.1
1950	15.7[b]	50.3	23.8	10.0[c]	340.0	76.7	75.4	69.0	52.9	713.8	3,976.0	18.0
1951	17.8	57.5	42.9	19.8	346.1	123.7	148.5	88.2	78.6	922.7	6,084.0	15.2
1952	32.0	106.0	51.2	33.1	357.6	203.5	167.5	128.9	92.7	1,172.3	6,109.0	19.2
1953	35.5	97.1	45.9	35.5	313.0	140.0	120.8	61.4	111.3	960.5	4,835.0	19.9
1954	50.8	77.5	33.9	40.7	342.4	125.0	105.4	116.5	117.8	1,010.8	4,648.0	21.7
1955[e]	56.0	71.5	51.1	42.4	438.9	106.3	124.1	107.6	135.1	1,133.1	4,868.1	23.3
Total 1949-55 Capital goods imports	228.1	510.7	279.3	184.1	2,617.7	870.4	816.3	631.0	704.6	6,842.3	..	..
Total imports	1,080.0	2,258.0	2,155.0	609.0	10,392.0	4,782.0	7,871.0	2,924.0	3,278.0	..	35,377.1	..
Percentage of capital goods imports in total imports	21.1	22.6	13.0	30.2	25.2	18.2	10.4	21.6	21.5	..	..	19.3

a. Excepting figures for Burma from 1953 and for Indonesia from 1950 onwards which are taken from national statistical publications figures are compiled by the ECAFE secretariat and include base metals, metal manufactures and machinery and transport equipment.

b. Year ending September.
c. Excluding foreign aid.
d. Year beginning 1 April.
e. Annual rate based on first 6-10 months.

1. See *supra*, section on "Agricultural production".

Glassifying total imports into cereals, capital goods and others, it seems that whereas the imports of "others" show a high degree of sensitivity to changing conditions of trade, imports of capital goods, while responsive to favourable conditions, show a lesser degree of sensitivity to adverse conditions.[1] Thus, during the Korean-war boom, while total imports increased (in terms of value) by 53 per cent in 1951 over 1950 and "others" by 46 per cent, imports of capital goods rose by 33 per cent. In 1953 while total imports declined by 21 per cent from their 1952 level and "others" by 23 per cent, imports of capital goods declined by only 10 per cent. This relative inelasticity of capital goods imports is principally attributable to the commitments of expenditures by governments on developmental projects and plans, which they would not wish to reduce sharply except in the event of serious balance of payments deficit.

Trade with the USSR, eastern European countries and mainland China

The trade of ECAFE countries (excluding mainland China)[2] with the USSR and eastern European countries has continued to remain a very small fraction of their total trade (around 1 per cent of both exports and imports). However, there are indications of efforts that may lead to some increase in this trade. A number of ECAFE countries—namely, Burma, India, Indonesia and Pakistan—have entered into bilateral trade agreements with one or more eastern European countries. Some of these agreements reflect the efforts of ECAFE countris to discover new markets for their commodities, such as Burmese rice and Pakistan cotton and jute. Burma's barter deals with eastern European countries involve the exchange of rice for developmental and consumer goods. But the conclusion of bilateral trade agreements in itself does not necessarily promote increased trade. India's bilateral trade agreements with many eastern European countries have not resulted in any significant increase in its trade with them during the last four to five years. On the other hand, the extension of credit and technical assistance by one or two of the eastern European countries to ECAFE countries in connexion with some of the latter's specific developmental projects appears to give scope for some increase in trade. The USSR assistance to Afghanistan in certain projects, to Burma in technical personnel and to India on a steel project, and the credit extended by Czechoslovakia to Afghanistan and Indonesia are examples. Afghanistan's transit trade agreement with the USSR is the major factor in the trade between the two countries.

On the other hand, the trade of ECAFE countries with mainland China has continued to remain larger than that with the USSR and eastern European countries. In the first half of 1955, the exports of six ECAFE countries (Ceylon, India, Indonesia, Japan, Hong Kong and Malaya) to mainland China amounted to $56 million, while imports totalled $154 million. Hong Kong, Ceylon, Japan and Malaya accounted for the greater proportion of the region's trade with mainland China. The beginning of the export of certain light industry products from mainland China to other ECAFE countries was a new feature of the trade during the period,[3] which might affect the established marketing patterns in certain countries of the region.

1. Imports of cereals are naturally affected more by supply conditions of deficit countries and often are likely to be more independent of conditions of trade.
2. About 80 per cent of mainland China's trade is with the USSR and countries of eastern Europe; see *infra*, chapter 7, section II.
3. *Infra*, chapter on China.

The payments position and external finance

The sum of gold and foreign assets of nine ECAFE countries after reaching a peak of $5,063 million at the end of 1951 declined to $4,440 million at the end of 1953 and then took a positive turn in 1954 and especially in the first half of 1955 (see table 24). While the sum of these reserves increased by only 2.3 per cent in 1954 over 1953, it went up by 11.3 per cent in the first half of 1955 as compared with the corresponding period in 1954. Among the nine countries, during the first half of 1955, Japan gained highly (52 per cent), followed by Indonesia (44 per cent), Ceylon (31 per cent), Thailand (20 per cent), south Korea (14 per cent) and Pakistan (9 per cent). The countries that suffered losses were Burma (46 per cent) and the Philippines (17 per cent).

TABLE 24

GOLD AND FOREIGN ASSETS

(End of period)

(million dollars)

	1952	1953	1954	End of June	
				1954	1955
Burma	209	225	142	197	107
Ceylon	187	136	201	176	229
India: Reserve Bank of India	1,729	1,765	1,782	1,809	1,751
Indonesia	391	276	299	212	305
Japan[a]	1,165	1,017	1,125	831	1,263
Korea, Republic of	87	116	110	115	131
Pakistan: State Bank of Pakistan[b]	295	296	328	299	327
Philippines	317	307	282	310	258
Thailand: Bank of Thailand	352	302	273	264	316
Grand total	4,732	4,440	4,542	4,213	4,687

Source: Republic of Korea: Bank of Korea; other countries: International Monetary Fund, *International Financial Statistics*.

Notes: 1. Unless otherwise indicated figures include those for official authorities and commercial banks.
2. Statistics in dollars are different from those in national currencies published in *infra*, Asia Economic Statistics, table 13, mainly because of difference in the rate of exchange applied for the purpose of coversion.

a. For Bank of Japan foreign exchange only.
b. Issue department only.

In *Japan*, the rise of foreign exchange holdings, which increased by 59 per cent from May 1954 to the end of September 1955, was mainly due to a substantial increase in exports accompanied by a slight decline in imports. The export boom of Japan could be explained partly by the recent expansion in the world demand for manufactured goods and partly by the relaxation of import restrictions of sterling-area countries.

The increase in the world demand for and prices of rubber was an important factor for the improvement in the payments position of Ceylon and Indonesia. During the first nine months of 1955, *Ceylon* had a trade surplus of Rs 329 million as compared with Rs 302 million in the corresponding period of 1944, and the terms of trade for the first eight months of 1955 were more favourable than for the corresponding period of 1954. In *Indonesia*, in the first half of 1955 the trade surplus reached Rp 1,589 million as compared with Rp 416 million in the corresponding period

a year before, due chiefly to an increase in the export volume of rubber, petroleum and petroleum products, sugar etc. and also due to a reduction of consumer imports.

Although the export price of rice continued to fall, total export earnings of *Thailand* during the first half of 1955 were higher than in the corresponding period of 1954, owing mainly to large volume of rice exports and higher rubber prices. In contrast to Thailand, the sharp decline of gold and foreign assets in *Burma* in 1954 was mainly due to heavy debt repayment of about $35 million accompanied by declining export earnings and heavy government imports for development projects. The same causes accounted for the further drop of reserves in the first half of 1955.

In *Pakistan*, a net inflow of investment and overseas borrowings, combined with current account surplus, was reflected in an increase of gold and foreign assets.[1]

In *India*, the 1954 decline was due to higher imports accompanied by a reduction in private and official donations, which declined by about $47 million. In the *Philippines*, the continuous loss of gold and foreign assets since 1953, particularly in 1954, was due to an expansion of imports through a relaxation of exchange control and a reduction of US government expenditures in the Philippines.

External finance has become an important factor not only in financing development expenditure but also in safeguarding the balance of payments of countries in the region. For instance, external financial aid to India has kept its reserves from falling in the face of trade deficits. The aid from the United States and the Colombo Plan donating countries and the loans from the International Bank for Reconstruction and Development to many countries of the region have steadily increased in the last half of 1954 and the first half of 1955.[2] The economic aid by the United States to the Colombo Plan countries during the US fiscal year 1955 (1 July 1954-30 June 1955) rose to $322 million, from $162 million in the previous fiscal year. In addition to the funds allocated to individual countries, the Congress of the United States appropriated a sum of $100 million to promote greater economic strength through regional projects.[3] Similarly, the International Bank for Reconstruction and Development has advanced to five countries of the region (Ceylon, India, Japan, Pakistan and Thailand) a sum of $33.6 million in the first eight months of 1955, as compared with $29.3 million in 1954 and $16.6 million in 1953.

Another form of external aid is the disposal of US agricultural surplus commodities such as wheat, cotton, tobacco, rice etc. to some countries of the region, namely Japan, Nepal, Pakistan, south Korea, south Viet-Nam and Thailand. Such aid plans are under negotiation with Burma and Indonesia. Part of these surpluses is given as grants and the rest is sold for local currency. Some part of the surplus is used to promote triangular trade, as in the case of Pakistan where commodities received from a third country are paid for in the form of US agricultural surpluses. The total agreed and authorized value of US agricultural surplus disposal (under US Agricultural Trade Development and Assistance Act) for the above-mentioned countries during the year from July 1954 to June 1955 was over $140 million.[4]

Trade and exchange policies

During the year under review, although a few countries of the region were faced with continuing balance-of-payments difficulties owing to reduced export earnings or higher developmental expenditures and dometic inflationary pressures or other factors, there was general progress in liberalizing trade and payments restrictions, in eliminating discriminatory features and thus in the direction of multiliateralism. Exchange restrictions on payments for invisible items were continued without any significant changes. Some of the more important developments, indicating a shift on emphasis in policies, are reviewed here with reference to exchange policies, export promotion measures, quantitative import restrictions, tariffs, and bilateral trade agreements.

Exchange policies and export promotion measures: Among efforts made to readjust and/or stabilize exchange rates at more healthy or realistic levels during the year were the revision of the rate for the Korean hwan, the devaluation of the Pakistan rupee and the measures taken in China: Taiwan, Indonesia, South Korea and Thailand to modify and mitigate their multiple-exchange-rate systems.[5]

Also of significance were the steps taken by some countries to eliminate or mitigate some of the discriminatory payments devices employed mainly for export-promotion or balance-of-payments reasons, in some cases in conjunction with multiple exchange rates.

Japan modified some of the features in its retention quotas and link systems: the facility given to the exporters of ships to import sugar was abolished in November 1954, and effective from March 1955 the facility given to exporters to retain 10 per cent of their total export proceeds for export promotion or for imports was reduced to 5 per cent. In September 1955, Indonesia announced its decision to abolish the system of retention quotas for "weak" exports; the system of "parallel" transactions under which imports were linked to exports was also modified substantially to eliminate the retention quotas. On the other hand, some countries continued existing retention quota arrangements or introduced new elements. Pakistan extended its export incentive scheme in 1955, permitting exporters of a larger number of items to retain a certain proportion of their export proceeds for imports. South Korea found it necessary to retain the system even though it took important steps in August 1955 to abolish multiple exchange rates and establish a unified exchange-rate system. In Cambodia, Laos and south Viet-Nam, exporters were permitted in 1955 to retain a proportion of their export proceeds for free disposal or for imports, the proportion for exporters to the dollar area being less than for others.

Export promotion measures include also reduction in government controls and reduction or elimination of export duties. Many of these measures, which had more or less been carried out in earlier years, were continued in the light of recent price movements of individual export products.[6] However, it would appear that governments are beginning to

1. State Bank of Pakistan, *Report of the Central Board of Directors for the Year ended 30 June 1955*, p. 28, Karachi, 1955.
2. For aid and loans received by individual countries, reference may be made to *infra*, Part II, country chapters.
3. Consultative Committee for Co-operative Economic Development in South and South-East Asia, *Fourth Annual Report* (Singapore, 1955), chapter on the United States of America.
4. United States, *Department of State Bulletin*, 1 August 1955, pp. 199-202.
5. For details, see *infra*, part II.
6. For details of changes in export duties, see *infra*, Part II.

recognize the limited effects of these measures in terms of increased export earnings. India, for example, is placing reliance upon the export promotion councils established for several commodities, particularly manufactured goods. These councils are sponsored by the government, but composed of, and run by, representatives of the trade and industry concerned. As explained in a subsequent section, some countries have tried to use bilateral trade arrangements for promoting exports.

Quantitative import restrictions: Quantitative import restrictions continued to be exercised in the countries of the region for four major purposes: (*a*) protecting gold and foreign-exchange reserves, (*b*) allocating available foreign-exchange resources to imports in accordance with priorities determined on the basis of domestic developmental plans and needs, (*c*) protecting domestic industries, and (*d*) ensuring a greater share of import trade to nationals. Reasons other than those related to balance of payments appeared to be gaining in emphasis during 1954 and 1955.

Most countries in the region have applied quantitative import restrictions for balance-of-payments reasons, although it does not necessarily mean that such restrictions are used only when they are faced with an actual or imminent drain on their foreign-exchange reserves. Countries which are incurring steadily increasing developmental expenditures will necessarily face increasing import demand and consequently employ import restrictions in such a manner as to take account of these requirements. This objective has been of cardinal significance in the import controls of India throughout the post-war years and of considerable importance in Indonesia, Pakistan and the Philippines in the last three to four years.

A development of some significance in this field during 1955 was the relaxation of these restrictions in many countries, which was not in all cases necessarily an indication of improvement in their payments position. Such relaxations, which were effected in India, Indonesia, Pakistan, the Philippines and Thailand, derived partly from the increased import needs of economic development and consumption, but partly from the recognition that continued reliance upon import restrictions for protecting the balance of payments might aggravate the difficulties related to internal inflationary forces. In two countries at least, namely, Indonesia and Thailand, import control was seriously telling on government revenues. Consequently, in September 1955 Thailand replaced import restrictions on most items[1] by tariff increases which are expected to yield revenue to the government. In Indonesia, the changes introduced in September 1955 involved a liberalization in imports, coupled with a change from reliance on quantitative restrictions to restrictions through the price mechanism.[2] The import surcharges have been substantially increased, at varying rates on the different groups of imports; while imports have been made freely licensable subject to satisfactory evidence of correct prices and quality. Pakistan has permitted some liberalization in imports in 1955 mainly to meet domestic shortages of consumer goods, a policy which was helped by US aid. Burma, on the other hand, followed until recently a policy of easy imports, and incurred developmental expenditures without inflationary pressures, mainly by allowing its foreign assets to decline. However, when the decline became serious, it had in March 1955 to intensify import controls in order to protect exchange reserves and to curtail developmental expenditures in order to prevent inflation.[3]

Among the sterling-area countries of the region, larger allocations of foreign exchange from dollar sources were made, and in no case were restrictions on dollar imports intensified during the year. Of considerable significance in principle, in this connexion, was the limination of discrimination against dollar imports by Pakistan in its import-licensing policy since January 1955, representing a basic departure from the over-all policy of the sterling area.

Some countries in the region employ quantitative import restrictions as a deliberate instrument for protecting domestic industries. Even in these countries in which such restrictions are used for balance-of-payments reasons, they have a protective effect on domestic industries. Available evidence suggests that in several countries this effect has been intended in some measure: in India, Pakistan and the Philippines, and to a limited extent, in Ceylon, Indonesia and Thailand. Since these restrictions are often employed for protecting domestic industries in the face of payments difficulties which recur from time to time, it is difficult to foresee what will happen when countries are, to a significant extent, able to replace quantitative restrictions by tariff and other protective measures.[4]

In India the quotas for various import items for each half-yearly licensing period are determined regularly on the basis of local industrial capacity and production, and the country's requirements. A large number of imports are prohibited, the domestic production of which is considered adequate. Aside from the import control authorities, the Indian Tariff Commission has also recommended the use of quantitative import restriction for protecting industries, thus far for 33 industries.[5]

In Pakistan 70 per cent of the total available foreign exchange is allocated to imports of essential industrial materials and capital goods, and all the consumer imports are subject to strict control, the quotas for many of them being determined in the light of the domestic production of various industries. The Pakistan Tariff Commission, however, has not recommended quantitative import restriction for protecting domestic industries except in one or two cases, but has relied mainly on tariff protection.

1. Controls are still exercised on imports of specified items.
2. For details, see *infra*, chapter 10 on Indonesia.
3. Basically, the balance-of-payments pressures are attributable to two sets of circumstances, namely, the increased levels of developmental and other expenditures on the one hand, and the inadequate levels of export earnings on the other. Aside from the problem of fluctuations in export earnings, the efforts to step up export earnings can only achieve limited results in the short run. On the other hand, it may not be desirable or feasible to curtail the scale of developmental expenditures, or to adopt adequate fiscal measures to raise government revenue and reduce the import demand. The inflationary effects of domestic expenditures can be countered as long as exchange reserves and external aid can be utilized to finance import surpluses. Faced by this dilemma between inflationary pressures on the one hand and the balance-of-payments pressures on the other, several ECAFE countries have been resorting to alternating relaxations and intensifications of import restrictions.
4. Attention may be drawn in this connexion to article XVIII of the revised General Agreement on Tariffs and Trade which recognises that countries in the early stages of economic development should enjoy additional facilities to enable them "(a) to maintain sufficient flexibility in their tariff structure to be able to grant the tariff protection required for the establishment of a particular industry and (b) to apply quantitative restrictions for balance-of-payments purposes in a manner which takes full account of the continued high level of demand for imports likely to be generated by their programmes of economic development".
5. Some of them are cotton-textile machinery, motor-cars, power and distribution transformers, grinding wheels, plywood and tea-chests, ferro-silicon, antimony, electric motors, glass and glass-ware, fine chemicals, sericulture, wood screws, and machine screws.

In Ceylon protection through import restriction is given to certain industries (cotton sarongs, handloom towels, glass tumblers and chimneys, plywood, chests etc.) under the Industrial Products Act, which has been in operation for five years. In addition, the Import Duties Advisory Board recommends in appropriate cases either tariff protection or import restriction. Industries which do not come under the Industrial Products Act are protected under the Control of Import and Exports Act, though the use of this device appears very limited.

In the Philippines, the foreign-exchange allocations for imports were adjusted by the Monetary Board of the Central Bank in 1954 and 1955 according partly to the local production of several items.[1] Under the revised Bell Trade Act, the Philippines can apply reasonable quantitative import restrictions not only for safeguarding its balance of payments, but also for protecting its domestic industries.

In Indonesia, imports of complete wireless sets and sewing machines have been prohibited during the year in order to promote the establishment of assembling industries. Thailand also regulates the import of a limited number of items in order to protect local industries.

At least three countries of the region, namely, Burma, Ceylon and Indonesia, used import licensing to promote a larger share of their import trade for their nationals.[2] In Burma, about one-half of the total import licences by value is issued to national traders.

In Ceylon, licences for imports from Japan, West Germany, mainland China, the USSR and countries of eastern Europe continue for the most part to be issued only to registered Ceylonese traders; in issuing licences for imports from the EPU (European Payments Union) countries as well, preference is accorded to Ceylonese nationals. The total value of import trade reserved for registered Ceylonese importers is Rs 100 million, and the policy has encouraged the transfer of foreign agencies to Ceylonese hands.

In Indonesia, not only is preference given to registered national traders in foreign-exchange allocations for imports, but also credit facilities for the import of capital goods negotiated under trade agreements with foreign countries in 1954 have been largely restricted to those firms in which the majority holding of capital is owned by Indonesian nationals. In addition, foreign firms are required to import their requirements through the intermediary of national traders.

Owing to lack of experience and adequate capital on the part of the nationals, such measures have not always worked smoothly. In Indonesia, they have resulted in some speculation, in and sale of, import licences.

Changes in import tariffs: During the year, some countries undertook a general revision and readjustment of their import tariff systems, while others continued to make changes in duties on specified items. As a rule, many of these changes aimed at protecting domestic industries against foreign competition and facilitating the import of machinery and raw materials at lower tariff rates. Revenue consideration was as important in some cases. There were also modifications of the existing preferential tariff arrangements.

Among major modifications were those in the Republic of China, the Philippines, Cambodia, Laos and Viet-Nam.[3] The Republic of China effected a major overhaul of its tariffs (with most-favoured nation clause) which resulted in increased duties on luxury and non-esential items, lower rates on industrial raw materials and protection to newly established industries. In the Philippines, under the revised Bell Trade Act, it was agreed to replace the present excess tax on sale of foreign exchange by a special import levy and to commence partially the levy of ordinary import duties on imports from the United States also, with effect from January 1956. In Cambodia, Laos and Viet-Nam, the termination of common customs and tariff arrangements with France was followed by the introduction of separate customs and tariff systems in the three countries. While the tariff preference to France continued under the revised arrangements of March-April 1955 in the Republic of Viet-Nam, two rates—the general rate and the minimum rate—were introduced and the latter (one-half of the former) was made applicable to countries with which a preferential arrangement was concluded, e.g. France and the United States. Thailand gave effect to very substantial changes in import tariffs in September 1955, designed mainly for revenue and in replacement of quantitative import controls.

In India and Pakistan, the Tariff Commissions continued to review the applications of industries for protection and on the basis of their recommendations several industries were given tariff protection. In 1954/55 the Indian Government thus granted protection to several new industries, continued it to those already receiving protection, and discontinued protection to some industries.[4] The Pakistan Tariff Commission has since its establishment in 1950 investigated the claims of about 60 industries for protection, and so far the government has granted protection to 30 industries.[5] The claims of other industries are still under examination.

Among other countries which used tariff changes to promote domestic industries were Ceylon which effected some minor modifications during the year and Japan which suspended import duties on most items of machinery early in 1955.

Bilateral trade and payments arrangements: While several ECAFE countries continued to negotiate new, or to extend existing, bilateral trade arrangements during the year,[6] the significant development appears to be in the changing character and purpose of such arrangements. During and immediately after the Korean-war boom, bilateral arrangements were found useful to obtain supplies of essential goods,

1. Quotas for shoes, corn starches, toys, low-grade pencils, finished cars and a number of other items were eliminated or reduced in 1954.

2. See for Ceylon, *Administrative Report of the Controller of Imports and Exports, 1954;* and for Indonesia, *Report of Bank Indonesia, 1954-55,* pp. 102-103 and pp. 146-147.

3. Burma took a major step in October 1953 when it abolished preferential tariffs and introduced a unified system involving higher rates on luxuries and lower rates on essential goods and materials.

4. New industries granted protection: component parts of motor-cars, dyestuffs, caustic soda and bleaching powder. Continuance of protection: cotton-textile machinery, bicycles, sago and tapioca, sheet glass, bichromates, oil pressure lamps, coated abrasives, preserved fruits, antimony. Discontinuance of protection: sewing machines, pickers, hurricane lanterns.

5. Some of the industries receiving protection are: grinding wheels, lathes, paints and varnishes, electric fans, hurricane lanterns, motor car and cycle pumps, leather foot-wear, steel re-rolling, umbrella, fruit preserving, locks, steel castings, soap, cycle tyres and tubes, matches, diesel-oil engines, battery and battery plates, iron safes, fountain pens, electric lamps, etc.

6. Mention may be made of Burma's trade agreements with the USSR and mainland China, and of Indonesia's trade and payments arrangements with several countries of eastern Europe and with mainland China.

including capital goods. With the easing of supply of both capital goods and food and raw materials, the emphasis in present arrangements has shifted to securing markets, for capital goods by industrial countries, and for food and raw materials by ECAFE countries, both sides offering and seeking trading advantages.

Burma's bilateral agreements with the USSR, mainland China, India, Japan and eastern European countries, negotiated in 1954 or 1955, aim at obtaining outlets for its rice exports and result necessarily in some commitment to import from those countries. Ceylon's rice-rubber deal with mainland China continued in operation in 1955, but in view of mainland China's rice imports from Burma, this agreement was tantamount to an indirect transfer of Burmese rice to Ceylon. Pakistan's continued issue of single-country licences for imports from Japan and France is linked with its export of raw cotton and jute to these countries. Indonesia's bilateral arrangements also derive partly from a desire to promote "weak" exports. The negotiation of special credit facilities or deferred-payment arrangements, mostly in connexion with recent trade agreements (for example, Pakistan from Japan and West Germany, Indonesia from Japan, Germany, France, Italy, the Netherlands and Sweden, and Burma from India) indicates the export difficulties of the above ECAFE countries on the one hand, and the desire of the credit-extending countries to promote the sale of their manufactured goods on the other.

Since the current necessity for bilateral arrangements for ECAFE countries arises at least in part from difficulties in finding markets for some of their products and since these difficulties are closely related to the problem of instability of markets and prices of primary commodities, it can be asked whether the general liberalization of trade in industrial countries and the progress towards convertibility of currencies will help altogether to eliminate the need for bilateral arrangements. High levels of economic and industrial activity in the advanced countries and high levels of import demand from them are generally favourable to the trade of ECAFE countries; progress towards convertibility would also enable them to expand their export proceeds on imports from the most advantageous sources. Nevertheless, convertibility by itself would not directly solve the problem of lack of stable export earnings for these ECAFE countries which are exporters of primary commodities. Instability in export proceeds of primary products prevailed even when all the currencies were convertible (before the second world war); and the fact that the dollar has always been a convertible currency has not *per se* improved the stability of demand and prices of primary commodity either in the United States or elsewhere. For this reason, bilateral contracts and trade arrangements may continue to be negotiated in part to overcome difficulties in marketing primary exports.

Leaving aside mainland China which conducts most of its trade by means of bilateral trade arrangements with the USSR and countries of eastern Europe, Japan is the other country in the region[1] which has a comprehenive system of bilateral trade and payments arrangements covering nearly two-thirds of its total trade. While this system has proved of substantial benefit to Japan, particularly in its trade on dollar and open-account basis, the bilateral arrangements of Japan have often not worked smoothly. The fact that the flow of commodities between the partners to the bilateral trade agreement does not take place in accordance with the scheduled trade plans, owing to price, quality, availability and other factors related to the goods, necessitaties frequent carry-over of balances, switch and triangular transactions, the carry-over of balance to a third country, special inducements on both sides, etc. With the substantial improvement in Japan's foreign-exchange reserves, and the steadily improving competitive position of Japanese goods, Japan may be expected to reduce reliance upon bilateralism in trade and payments.

1. While India continues to negotiate bilateral trade agreements with several countries in western and eastern Europe and in the ECAFE region, there is increasiing recognition that they do not play the same important role now as in early post-war years.

MONETARY DEVELOPMENTS

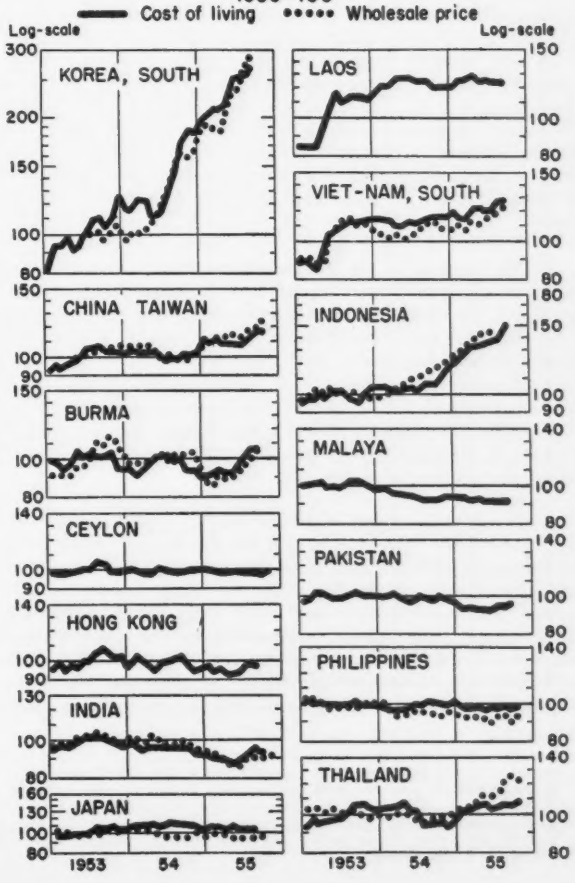
The monetary situation

The monetary situation in a country broadly reflects the net changes in the flow of income and expenditure in the different sectors of the economy in relation to production. As the relative importance of different sectors in the economy differs for countries or areas of the region and the forces operating in each sector do not always move uniformly in each country or area, it is hardly possible to give any generalization of the monetary situation of the region as a whole, at least for the period under review. However, some similarity prevailed among certain countries or areas. In countries where the foreign trade sector is important and

Chart 5

INDEX NUMBERS OF PRICES

1953 = 100



economic development has taken place mainly in the public sector (e.g. Burma, Ceylon, Pakistan, Thailand), export fluctuations and government development expenditures were the major determinants of the income-expenditure flow. In mainland China and India where the foreign trade sector is relatively small and economic development plans have been vigorously carried out, government development expenditure was a dynamic factor in influencing the monetary situation in 1955. In Cambodia, China: Taiwan, Indonesia, South Korea and South Viet-Nam, large defence and other government non-development expenditures were primarily responsible for the inflationary pressure, which would have been more severe had there not been a large inflow of external aid.

Impact of export fluctuations and development expenditures

In those countries of the region whose exports consist largely of primary products and in value bear a high ratio to gross domestic product fluctuations in export earnings usually affect the level of income substantially. Such export fluctuations have been comparatively wide and frequent and, more or less, beyond the control of the exporting countries. In recent years, most of these export-oriented economies of the region have, in various degrees, pursued deliberate policies of economic development, including industrialization and diversification. As it is difficult to change the traditional pattern of private investment before adequate overhead capital is provided and entrepeneurship grows sufficiently, the governments of these countries have undertaken investment in many different fields. While the proportion of such development expenditures in the public sector[1] to gross domestic product may not be very large in several countries, their impact on other sectors of the economy may not be insignificant because they represent the marginal new investment in new directions. Moreover, in some countries when investment of public enterprises is added to investment outlay in the government budget proper, the total investment expenditure in the public sector in relation to the gross domestic product may not be considered small.

The pursuance of a deliberate economic development policy in export-oriented economies brings out a new monetary problem, i.e., how to avoid inflation when export income increases and how to safeguard the payments position when export income declines, in both cases without slowing down the rate of economic development. During 1954 and the first nine months of 1955, several countries of the region were confronted with the problem in connexion with the low level of export earnings from rice, raw cotton and jute and the recent export boom in tea and rubber.

The severity of the effects of falling export income from rice since 1954 was keenly felt in the major rice-exporting countries, i.e., Burma and Thailand, and that from raw cotton and jute since 1952 in Pakistian, especially when the fall in export income synchronized with the implementation of development programmes. In *Burma*, the budget deficit increased from K 155 million in 1953/54 to K 195 million in 1954/55.[2] The budget does not indicate the correct magnitude of the total government developmental outlay, because of the omission of capital outlay of State enterprises in budget estimates. During 1954/55, government capital outlay, including investments, loans and advances and capital outlay of State enterprises, showed a large increase of K 375 million over 1953/54. The large government development expenditures were financed mainly by the creation of new money by the central bank against government securities. Such expenditure contributed to the increase in imports in connexion directly with the development projects and indirectly through the expansion of income in the private sector. The import increase, coupled with the decline in export earnings, resulted in a rapid depletion of foreign assets which helped to withdraw a part of the money in circulation. Money supply between October 1954 and June 1955 increased by only K 167 million. The inflationary pressure generated from the budgetary deficit was chiefly on the balance of payments. When the balance-of-payments difficulty became acute, the government had to tighten import controls in March 1955 and local prices of imported commodities began to rise after mid-1955. Meanwhile, government development expenditure was curtailed for the remaining months of 1954/55. For 1955/56 the budget figure of government investment and loans and advances was also reduced to K 212 million from K 365 million for 1954/55.

Pakistan had a similar experience in 1953.[3] However, since late 1954, the situation has somewhat changed, chiefly because of an increase in the supply of goods. Government development expenditures with heavy import content continued to be maintained at a high level in 1954/55 (the revised estimate being Rs 591 million as compared with actual expenditure of Rs 582 million in 1953/54 and of Rs 370 million in 1952/53), and tend to increase further in 1955/56 when it is budgeted at Rs 991 million. Meanwhile, several quick-yielding projects, especially in the industrial sector, which were emphasized in the development programme, began to materialize and resulted in increased supply of goods to the domestic market, thus catching up with the income increase. On the other hand, the establishment of and progress in textile industries which consume indigenous raw materials reduced the export availability of raw cotton and raw jute. The reduced export quantity of cotton and jute, coupled with lower prices, contributed substantially to the low level of export earnings. On the other hand, the progress in textile industries reduced substantially imports of textiles. During the year ending June 1955, money supply expanded by 8 per cent. The inflationary pressure of monetary expansion on prices was, however, offset by the rise in domestic production, and the increased flow of imports following a moderate liberalization of import control. A large inflow of aid-goods from the United States also had a favourable influence on the general price level and the balance of payments. Although prices of imported goods rose after the devaluation of the Pakistani rupee, the price situation as a whole remained fairly stable during the first nine months of 1955.

The considerable fall in export earnings in 1954 led *Thailand* to modify its exchange and export policies, which had significant effects on the monetary situation and economic development. The restoration of rice export to private trade, together with the gradual abolition of the obligation to surrender foreign exchange at the official rate (almost entirely

1. Development expenditures in the public sector referred to in this section consist of investment and loans and advances in the central government's budget, which do not tally with figures given in *supra*, table 7 and *infra*, table 25.

2. Owing to the fact that the Japanese reparation of K 20 million was not realized, the newly revised budget deficit for 1954/55 increased from K175 million to K 195 million.

3. *Economic Survey of Asia and the Far East, 1953*, chapter on Pakistan.

for rice but partially for rubber and tin) helped the rice (rubber and tin) traders to compete with those of other exporting countries on the world market. The quick downward adjustments of rice export prices enabled Thailand to increase the quantity of rice export.[1] While these measures prevented to some degree a fall in export earnings which might otherwise have occurred, the partial devaluation applied to the three principal export commodities also tended to inflate money income. In order to maintain government revenue and keep prices from rising the government increased special export duties (the so-called premium on rice export, the royalty on tin export and the sliding-scale export duty on rubber export, the rates of which vary more or less according to world market prices) concomittantly with the partial exchange depreciation. While these special export duties helped the government to siphon off a part of the gain to exporters arising out of the partial devaluation, it was still profitable for exporters to obtain more rice for export. The domestic price of rice, therefore, went up subtantially after January 1955. The wholesale price of 35 per cent broken white rice in Bangkok reached Baht 76.60 per picul[2] in September 1955 as compared with Baht 53.50 in January 1955 and Baht 50.67 in September 1954. The rise in local rice prices helped to increase the income from rice production and trade and tended to increase expenditures and imports of the private sector. During the first eight months of 1955, wholesale prices rose by 19 per cent and cost of living by 10 per cent, owing partly to more stringent import control. Confronted with this situation, the government decided to reduce development and other expenditures, the former from a record high of Baht of 1,641 million in 1954 to Baht 1,323 million in 1955.[3]

Export fluctuations in *Ceylon* have followed quite a clear pattern in post-war years. The Korean-war boom raised Ceylon's export to a record high in 1951, but its abatement reduced it substantially in 1952 and 1953. In 1954 and early 1955, owing to the tea and rubber boom, Ceylon's exports rose again rather steeply. As exports increased or decreased and money income expanded or contracted, the demand for imports also changed accordingly, though with a time lag. Thus total imports (and imports of producer goods) rose to a peak in 1952 and were maintained at a high level in 1953, but fell substantially in 1954. The time lag between export and import changes tends to generate inflation during the period of export boom and bring about payments difficulties during the period of export decline. The adjustments of government development expenditure to these conditions is indeed a problem. For counterating the cyclical impact on the domestic economy, Ceylon has resorted to sliding-scale export duties on some of its major export commodities. Recently, although the sliding-scale export duties on coconut products and tea were abolished, the rates of export duties on coconut products have been adjusted more or less according to the world market situation. Thus the increase in export duties and other taxes associated with the Korean-war boom enabled the government to finance two-thirds of the total development expenditure from current revenue, and that associatd with the more recent export boom contributed substantially to the government surplus of Rs 212 million in 1954 and Rs 111 million during January-September 1955. This deflationary effect, which counter-acted the inflationary effect arising from the payments surplus, together with higher production but lower price of rice, prevented the cost of living from rising and created a favourable condition for government investment. Investment and loans and advances of the government increased from Rs 196 million in 1953/54 to Rs 302 million in 1954/55 (revised estimate), and this combined item is budgeted at Rs 312 million for 1955/56.

During the first half of 1955, in *Malaya*, the rise in export income and the consequent favourable trade balance induced some monetary expansion without price increases, thanks also to the sliding-scale export duty on rubber. Money supply increased from M$1,503 million at the end of the first quarter of 1954 to M$1,650 million at the corresponding point in 1955, but throughout the last quarter of 1954 and the first quarter of 1955, the cost-of-living index remained remarkably stable around 123 (1948=100), the trend actually declining during the second quarter of 1955.

In contrast to other primary exporting counrties, the *Philippine* has experienced in recent year milder export fluctuations but persistent trade and payments deficits. Meanwhile, the government's financial operations have resulted in cash surpluses. Actual development expenditure of the government did not increase much and capital formation in the public sector remained rather stable during the last three or four years. In the private sector, however, investment increased, associated with credit expansion and stimulated by tax exemption measures and liberal allocation of foreign exchange for import of producer goods. On the whole, a mild deflationary tendency had prevailed with falling price level during the last two or three years. Recently the government decided to issue a large amount of government bonds for financing development, and the holding of such bonds by the central bank and other banks increased. Since August 1955, both money supply and prices have begun to rise.

Japan distinguishes itself from the above-mentioned countries as an industrial exporter, with a predominant private sector. The recent export boom[4] in the country resulted in monetary expansion, despite the fall in government expenditure during 1954/55. The increased supply of money, however, instead of inducing higher investment or consumption, flowed into the banking system and was reflected in an expansion of bank deposits and the disappearance of the tight money situation. Moreover, the index of manufacturing production increased by 19 per cent during January-July 1955, which, together with the substantial increase in rice production, neutralized the inflationary effect of the rise in export income. Between January and July 1955, the indexes of wholesale prices and cost of living even showed a moderate decline. The remarkable price stability was an outcome of a process of adjustment between aggregate effective demand and supply.

1. The f.o.b. price of 20 per cent broken white rice was £43.10 per ton in April 1955 as compared with £50.11 per ton in the corresponding month in 1954 .
2. 1 picul = 133 1/3 lb = 60.5 kg.
3. Consultative Committee for Co-operative Economic Development in South and South-East Asia, *Fourth Annual Report*, 1955, p. 136.
4. During the year ending September 1955, the total value of export reached a post-war peak which recorded a 27 per cent increase over the preceding year.

TABLE 25

PROPORTION OF INVESTMENT AND DEFENCE EXPENDITURE IN TOTAL CENTRAL GOVERNMENT EXPENDITURE

(per cent)

	Investment and loans and advances	Defence expenditure
AFGHANISTAN		
1951/52	42.3	18.5
1952/53	44.1	20.0
1953/54	38.3	20.2
1954/55	50.3	17.7
1955/56	43.4	20.2
BURMA		
1950/51	18.1	26.4
1951/52	14.7	35.4
1952/53	21.9	33.7
1953/54	27.8	33.7
1954/55	30.9	31.4
1955/56	20.5	36.8
CEYLON		
1950/51	22.1	0.8
1951/52	22.6	1.2
1952/53	25.8	1.5
1953/54	23.6	2.1
1954/55	30.4	2.3
1955/56	29.6	2.5
CHINA, REPUBLIC OF		
1951	2.2	80.4
1952	1.5	73.9
1953	1.3	63.1
1954 (Jan-June)	0.7	65.4
1954/55	—	83.7
HONG KONG		
1951/52	15.6	0.7
1952/53	18.7	11.7
1953/54	18.7	8.3
1954/55	28.6	7.1
INDIA		
1951/52	29.6	30.0
1952/53	31.5	30.4
1953/54	37.6	27.9
1954/55	45.3	21.7
1955/56	45.1	19.1
INDONESIA		
1951	4.1	29.9
1952	5.3	24.9
1953	3.6	24.2
1954	3.7	22.2
JAPAN		
1951/52	40.1	11.4
1952/53	45.6	8.7
1953/54	51.5	9.3
1954/55	36.4	11.6
KOREA, REPUBLIC OF		
1951/52	..	69.5
1952/53	..	56.9
1953/54	..	62.6
MALAYA, FEDERATION OF		
1951	35.7	4.0
1952	16.0	24.8
1953	14.8	25.2
1954	18.2	23.4
1955	21.1	21.2
PAKISTAN		
1951/52	25.3	52.2
1952/53	20.5	53.2
1953/54	32.0	42.3
1954/55	30.6	40.0
1955/56	40.8	35.1
PHILIPPINES		
1951/52	19.7	28.7
1952/53	20.4	25.3
1953/54	20.5	20.3
1954/55	23.6	18.1
1955/56	24.6	18.3
SINGAPORE		
1951	11.2	3.2
1952	12.3	4.3
1953	14.4	2.9
1954	15.3	4.4
1955	5.6	12.6
THAILAND		
1951	27.9	14.1
1952	19.5	19.8
1953	20.5	19.1
1954	25.9	17.9
1955	23.4	16.8

Note: For time reference and type of account, see *infra*, special table J.

Impact of development expenditures in countries where the foreign trade sector is small

The foreign trade sector is much less important in mainland China and India than in other countries or areas of the region. Moreover, in mainland China foreign trade is placed under strict control of the government, which tends to isolate the influence on the domestic economy of external factors. In both mainland China and India, the recent large government development expenditures constituted a significant segment in the income-expenditure flow. In India, where the private sector is more important than in mainland China, such expenditures also tended to induce private investment.

During the year under review, *India* gave an example of economic development with stability, made possible partly by an increase in production through utilization of formerly unused resources. Between March 1954 and March 1955, the money supply with the public in India increased by Rs 1,243 million or by 6.7 per cent. The expansion of money supply was mainly attributable to the budget deficit and credit expansion by the commercial banks. Net borrowings by the government from the Reserve Bank amounted to Rs 1,040 million which, together with the net decline in cash balance of Rs 60 million, represented the impact of the budget deficit on the money supply.[1] During 1954/55, total government expenditure in India increased by nearly 38 per cent, as compared with the previous year, mainly reflecting the rise in development expenditure from Rs 2,610 million in 1953/54 to Rs 4,357 million in 1954/55. Meantime, defence expenditure, though fairly high, continued at a stable level of around Rs 2,000 million. Private investment, as reflected in the volume of paid-up and authorized capital of joint-stock companies, showed an upward trend.[2] The monetary expansion that followed this increased tempo of development activity

1. See Reserve Bank of India, *Report on Currency and Finance, 1954/55*, p. 38.
2. See, *infra*, chapter on India.

did not, however, generate any inflationary pressure. Between March 1954 and March 1955, the index of wholesale prices dropped by nearly 12 per cent, and between April and October 1955 it remained fairly stable. The cost of living followed a similar course during the same period. Aside from the stabilizing influence of the concurrent rise in national product, the higher level of imports during 1954/55 also reinforced the tendency towards price stability.

In *mainland China*, industrial development was accelerated, with continued expansion of development expenditure. Defence expenditure declined as a proportion in total government expenditure, but in absolute terms such expenditure increased by about 150 per cent during 1950-55. In this period, development expenditure rose more than seven times, while its proportion in total expenditure increased from 37 per cent to 61 per cent. In 1955, the allocation for defence expenditure was 40 per cent of total estimated expenditure on economic and social development. As in other expanding economies, the inflationary impact of heavy expenditure on development was moderated by the simultaneous expansion of industrial production. As contrasted with other countries, however, the extension of State trading and State control over the disposal of cash curtailed, to a great extent, the inflationary potential of excess purchasing power that was generated by government investment. Moreover, essential consumption goods were rationed.

Afghanistan enjoyed comparative price tability in spite of a heavier government expenditure in 1954/55 on development and defence and a considerable increase in exports. Estimated development expenditure in 1954/55, which accounted for 50 per cent of the total expenditure, showed an increase of 76 per cent over 1953/54. Private investment during the same period also showed an upward trend, as reflected in long-term loans advanced to the industrial corporations by the Central Bank and the Bank-i-Milli. Exports in 1954/55 showed an increase of Afg 490 million over 1953/54. The combined effect of rising government expenditure and higher export income on the monetary situation was considerable. The money supply during this period expanded by 45 per cent. The cost of living in Kabul and other cities, however, remained stable despite monetary expansion, which can be partly explained by an extension of the monetary sector and an increase in output, especially in agriculture and handicrafts.

Impact of defence expenditure and other factors

In contrast with the comparative monetary stability prevailing in most export-and development-oriented economies in the region, inflationary pressure persisted in varying degrees in a number of economies, notably south Korea, China: Taiwan, south Viet-Nam and Indonesia. The major factor generating inflation in most of these countries was budgetary deficits arising mainly from heavy non-developmental government expenditure, especially on security. A major offsetting factor in these countries, with the exception of Indonesia, was a large inflow of external aid which not only narrowed down considerably the budgetary and payments deficits but also contributed to the maintainance of production through the inflow under the aid programme of producer goods. Economic development was greatly handicapped in these economies (with the exception of China: Taiwan) where prices continued to rise and currencies continued to depreciate.

In south *Korea*, during 1954/55, total government expenditure increased by nearly 100 per cent over that in 1953/54. Out of a total expenditure of 72000 million hwan in 1953/54, defence expenditure represented more than 62 per cent; during 1954/55 defence expenditure showed an increase of 95 per cent over the previous year. In 1954/55 money supply increased by 42 per cent over 1953/54. The inflationary impact of heavy government expenditure and consequent monetary expansion was, to some extent, offset by a large inflow of external aid and by the restriction of credit expansion by commercial banks. During the year ending June 1955, $195 million worth of (non-military) aid-goods flowed into south Korea as against $164 million during the previous year. The inflationary pressure, however, remained heavy as evident from available index numbers for retail and wholesale prices, both of which increased by approximately 110 per cent between June 1954 and June 1955.

In China: Taiwan, south Viet-Nam, Nepal and Cambodia defence expenditure similarly dominated in varying degrees the pattern of total government expenditure, but the impact of the resulting budget deficits on the monetary situation was less severe than in south Korea. Defence expenditure in China: Taiwan, rising to over four-fifths of total expenditure in 1954/55, contributed to an increase of money supply by nearly 37 per cent between June 1954 and June 1955, with a 60 per cent expansion in loans and discounts by the commercial banks. This inflationary tendency was to some extent held in check by the rise in industrial production and the increasing inflow of US aid which reached $138 million in 1954/55 as compared with $108 million in 1953/54. During the same period, the wholesale-price index recorded a rise of 11 per cent, while the cost-of-living index moved upward by 6 per cent. South *Viet-Nam* went through a similar process of monetary development, the large budgetary and payments deficit being financed by external aid which conrtibuted to comparative monetary stability. Defence expenditure in the fiscal year 1954 amounted to 75 per cent of total government expenditure of Pr 16,954 million. In *Cambodia*, the inflationary impact of a large budget deficit in 1955 (arising from heavy defence expenditure accounting for 62 per cent of total government expenditure) was reflected in the increase in money supply from Ri 2,820 million on 31 March 1954 to Ri 3,691 million on 30 September 1955. The impact of monetary expansion on the price situation was somewhat moderated by the large inflow of external aid, mainly from the United States (Ri 462 million) and France (Ri 70 million). During the first half of 1955, the cost of living for the working class rose by 11 per cent and the wholesale price of white rice by 15 per cent.

In contrast with the development- and defence-oriented economies in the region, the decline in revenue and a relatively heavy current expenditure accounted for an increase in budget deficit in *Indonesia*, from Rp 2,313 million in 1953 to Rp 2,541 million in 1954.[1] Defence and development together represented 27 per cent of total expenditure in 1954. The persistent deficit in government budgets, largely financed by borrowing from the Bank of Indonesia, was the major factor responsible for monetary expansion. Money supply increased from Rp 7,640 million at the end of 1953 to Rp 11,080 million at the end of 1954 and Rp 12,690 million at the end of June 1955. This, combined with restriction of imports, generated an inflationary pressure despite the moderate increase in food

1. The badget deficit for 1954 quoted here, Rp 2,541 million, was raised to Rp 3,618 million in the provisional results for that year. (See *infra*, chapter 10 on Indonesia).

production in 1954 and in industrial production in 1954 and 1955. Thus the cost-of-living index rose from 190 in the last quarter of 1953 (1950=100) to 210 in the last quarter of 1954, rising further to 257 in June 1955.

Monetary and credit policies

The primary task of traditional monetary policy has been to regulate the general level of economic activity through control over the volume of bank credit on the money market. In most countries of the region, however, currency rather than bank deposits, accounts for the bulk of total money supply. Even if the central bank is able to control the amount of credit of commercial banks, such control will affect almost exclusively the relatively unimportant deposit money. In fact, in many countries of the region, the lack of properly organized money and capital markets, the usual accumulation of bank cash reserves in excess of both legal and normal requirements, and the capacity of the foreign-exchange banks (which occupy an important position within the banking system of many countries of the region) to borrow from abroad make the bank rate generally ineffective and open-market operations hardly capable of affecting even the minor deposit portion of total money supply.

Moreover, in under-developed countries, monetary and credit policies which aim merely at maintaining monetary stability are not sufficient; they have also to be designed for stimulating economic development. In most countries of the region, there is a preference in the organized credit sector for investment in trade to that in agriculture and industry—a tendency which has to be rectified by appropriate monetary and credit policies of the government. It is, therefore, natural that many countries of the region should have, in recent years, taken certain steps toward this objective.

In some countries of the region, the central bank is extending its conventional field of operation by assuming some responsibility for encouraging, or even undertaking, the financing of economic development. In Pakistan, a new State Bank of Pakistan Ordinance promulgated on 6 July 1955 has, among other matters, empowered the bank to discount bills with a maturity of up to 5 years to finance agricultural and industrial development projects. Previously, the bank was precluded from providing finance for periods exceeding 90 days, except for financing seasonal agricultural operations or the marketing of crops, for which the maximum period permitted has now been extended from 9 to 15 months. The scope of agricultural operations, including marketing of crops, has also been enlarged to include animal husbandry and processing of agricultural produce.

While the expanison of new rediscount facilities of this type may be limited by the availability of suitable bills, at least at the initial stage, the assumption of this new function by the central bank is worth noting.

At present the most important method of development-financing by the central bank in several countries of the region is to subscribe to government securities and support them in the money market. The receipts from the sales of such securities are invested by the governments almost entirely in government development projects. Seventy-four per cent of government and government-guaranteed securities outstanding at the end of June 1955 were held by the Union Bank in Burma, and 59 per cent of government securities outstanding at the end of 1954 by the Bank of Thailand. In India (at the end of June 1955), Pakistan (at the end of September 1955) and the Philippines (at the end of December 1954), percentages of government securities held by the central banks (including treasury bills) were 60, 39 and 81 respectively. One important exception is Ceylon where, after 1953, the central bank's holding of government securities has become insignificant.

In Afghanistan, the central bank invests directly in both public and private enterprises, by promoting new enterprises and holding shares of companies. The amount of such investment increased rapidly from Afg 30 million in 1948/49 to Afg 431 million in 1954/55, which included investment in one electric company, one cement company, one textile company, three banks, etc.

Another measure for encouraging desirable types of development investment by banks and other financial institutions is selective credit control. Such control has not been widely used in countries of the region, except in the Philippines, where the Rehabilitation Finance Corporation, in close touch with the central bank, has recently carried out a credit policy favouring agricultural and industrial production rather than residential building construction.

In a few countries of the region where government deficits have generated inflation, both general and selective credit controls have been used to check secondary inflation. Such controls require a distinction between sound credit expansion (which is indispensable to maintenance and expansion of production) and excessive credit expansion—a distinction which is not always clear-cut in all cases. In Indonesia and south Korea, both quantitative and qualitative credit controls were used, while in China: Taiwan preferential interest rates were given to public enterprises. Under the "loan ceiling" system of south Korea, the upper limit imposed on the total volume of commercial bank loans was fixed and revised quarterly by administrative decision,[1] while in Indonesia it was fixed in proportion to the assets or demand liabilities of the bank. In both countries, qualitative credit control is applied to ensure that desirable production be not impeded by lack of finance. For instance, in south Korea, loan ceilings do not apply to loans to government-managed vested companies or for the purchase of aid-goods.

Organized capital markets for supplying investment funds to industry hardly exist in the region except in Japan and, to some extent, in India. In Japan, in 1954/55 about 55 per cent of industrial equipment funds came from corporate savings, 14 per cent from the capital market, 16 per cent from loans and advances of financial institutions, largely commercial banks. These compared with corresponding percentages of 45, 18 and 20 in 1953/54.[2] The substantial increase in corporate savings in 1954/55 helped them to regain their pre-war relative importance. In Japan private industries also obtained a comparatively large amount of long-term credit from commercial banks, and interest rates have constituted an important element in arriving at investment decisions.

In India, available data show that during 1945-51, 57 per cent of net fixed assets formation of 492 companies was financed by retained profits. However, corporate savings accounted for very minor portion in financing total capital formation in the private sector, being Rs 600 million as compared to Rs 5,220 million of total savings in the private

1. For details, see *infra*, chapter 12 on Korea.
2. Economic Planning Board, *Economic Survey of Japan, 1954/55*, p. 115.

sector in 1953/54. New subscription to the capital of companies was even smaller, being Rs 150 million in the same year.[1] In the Philippines, the total paid-in capital of newly registered and reorganized corporations, partnerships, and co-operatives has shown a declining trend since the end of the war, on account chiefly of heavy reconstruction and reconstitution of private enterprises in early post-war years. Such paid-in capital which totalled ₱307 million in 1946 fell sharply to ₱72 milliion in 1949 and thereafter declined slowly to ₱55 million in both 1953 and 1954 and ₱23 million for the first half of 1955. The issue of such new capital accounted for only a small portion of total capital formation in the private sector, being about 10 per cent in 1954. In other countries of the region, it is hardly possible to paint a general picture of sources of finance for industries and agriculture from available statistics.

In mainland China where the State sector has expanded rapidly, a substantial part of new investment funds for development comes from the ploughing back of profits of government enterprises through the central budget. Such profits contain elements of monopoly and taxation. The proportion of receipts from State enterprises on mainland China increased from 12.5 per cent of total government receipts in 1950 to 38 per cent in 1954; in 1955 it was planned to rise further to about 40 per cent.

In order to remedy the lack of an organized capital market and to correct the bias in the existing credit structure, many countries of the region have established special institutions for the development of agriculture and industry. The earliest were the Industrial Finance Corporation of India (1948) and Pakistan (1949) and the Rehabilitation Finance Corporation of the Philippines (1947).[2] Recently, several other institutions of similar type have been established or proposed in several countries of the region. In 1955, Ceylon completed legislation for the Development Finance Corporation of Ceylon, which, with an authorized share capital of Rs 8 million, will provide long-term capital funds to productive private investment. While the capital of the Industrial Finance Corporation in India and Pakistan is subscribed partly by the government and partly by the private sector, and the repayment of principal and the payment of a minimum dividend are guaranteed by the government, the Development Finance Corporation of Ceylon will be completely private in character, with, however, the right to borrow from the government a maximum amount of Rs 16 million free of interest for up to 15 years. The corporation will also be able to obtain loans from the International Bank for Reconstruction and Development for which the government is authorized to guarantee up to Rs 24 million. In addition to financial assistance, it will also foster, initiate, direct and operate enterprises to the extent necessary. Similarly in Pakistan, a proposal for the organization of an Industrial Bank was formulated during 1955. This bank will be wholly private-owned, but will get sizeable financial assistance in the form of loans from the Central Government and the State Bank of Pakistan. A part of the share capital of the bank is likely to be taken up by foreign investors, while the International Bank will also be approached for a loan in foreign exchange. Beside giving loans for industrial purposes the bank will be empowered to guarantee loans from other private investment sources, participate in all types of private industrial undertakings, and provide technical, managerial and administrative aid and advice to its clients. In India, the Industrial Credit and Investment Corporation started operation in January 1955 to finance private industrial development with government and private foreign assistance. In February 1955 a National Small Industries Corporation was set up by the Government of India with a capital of Rs 1 million for financial and other assistance to small industries. In south Korea, the Korean Reconstruction Bank was founded in April 1954 to supply, through sale of its securities to the public, long-term and intermediate-term credit at relatively low interest rates to industrial enterprises. Such sale has, however, not been possible under the present inflationary situation and in the absence of an organized security market. Consequently, almost the entire amount of its capital was subscribed by the government and the Bank of Korea.

In the field of agricultural finance, Afghanistan established in 1954 the Agriculture and Cottage Industry Bank (with a subscribed capital of Afg 150 million) which is providing credit at lower than market interest rate to farmers and co-operatives for agricultural equipment, land extension and seed improvement. The policy of the bank has been to deal with farmers through credit co-operatives, which are being promoted gradually in various parts of the country. In Burma, the State Agricultural Bank, which commenced business in June 1953, extended its operations from 4 to 16 districts in June 1955. Consequent on this expansion, outstanding loans of the bank to cultivators through village banks and co-operative societies rose from K 3.25 million at the end of June 1954 to K 5.22 million at the end of June 1955, which included usual seasonal as well as medium-term loans. The bank plans to extend its coverage gradually to the whole of the country, with a view to providing in full the seasonal credit needs fo cultivators at a reasonable rate of interest. In India, the Imperial Bank of India was nationalized in July 1955 and made the focal instrument for the supply of rural credit. The National Agricultural Credit Funds were set up, with contribution from the Reserve Bank of India for both long-term and short-term operations.[3] In Pakistan, reports of various experts on agricultural conditions are being studied and a scheme for enhancing agricultural credit facilities in the country is under consideration. In the Philippines, the Agricultural Credit and Co-operative Financing Administration was able, through its credit expansion, to organize 130 additional Farmers' Co-operative Marketing Associations in 1954, bringing the total to 232. Meanwhile, eight rural banks started operations in 1954, bringing the total to 28.

DEVELOPMENT PLANNING AND IMPLEMENTATION

Development Planning

The year 1955 marked further advance in the formulation of development programmes in several countries of the ECAFE region, indicating at once their state of readiness to launch on a more intensive development of their economies. In India where the first Five-Year Plan is drawing to a close, a draft frame of the second Five-Year Plan (1956-57—1960/61) was released for public discussion in March 1955. In mainland China, the first Five-Year Plan (1953-57) was finalized and adopted in July 1955. In the same month, the Government of Ceylon announced its Programme of Investment (1954/55—1959/60). In the Philippines, pending revision of the draft Five-Year Plan prepared by the National Economic Council, the President's Cabinet Committee of Employment and Production submitted to the Congress "a Programme of Employment and Production through Private Participation

1. *Report of the Taxation Inquiry Commission*, p. 138.
2. The features of these financial corporations have been described in *Mobilization of Domestic Capital in Asia and the Far East* (United Nations publication, sales No. 1951.II.F.3), pp. 184-6 and pp. 171-3.
3. See *infra*, chapter on India.

and Government Initiative." In October the Government of Nepal announced its draft Five-Year Plan (1956/57—1960/61). In early December 1955 a Six-Year Plan (1955-60) for Japan prepared by the Economic Advisory Council was reported to the Government of Japan for final examination.[1] The Governments of Pakistan and Indonesia were also expected to announce development plans for their countries towards the end of the year. In Burma where the ambitious Eight-Year Development Plan has been cut back considerably in the face of declining foreign-exchange earnings from rice trade, a new revolving Three-Year Plan more amenable to short-term adjustments is in the process of formulation. In Afghanistan also the government is engaged in the preparation of a second Five-Year Plan. In the Republic of Korea, where there are already three plans drawn up although none of them has been officially adopted and implemented, a fourth is now under preparation by the Ministry of Reconstruction.

The plans for development mentioned above show great diversity amongst themselves as to their nature, magnitude and scope. They range from full-fledged development plans of India and mainland China with detailed break-downs of their investment and production targets to the employment and production programme of the Philippines which is reflected mainly in various bills introducing economic measures on financing and import control. Most plans with the exception of those of India and mainland China, which emcompass almost the entire economy, concern only the public sector, while a few others, as in Japan, relate mainly to the private sector. In magnitude also they range from Yuan 76,640 million (US$32,500 million) for the Five-Year Plan on mainland China to Rs 210 million (US$44 million) for the Nepalese Five-Year Plan. But however divergent they may be in their nature, magnitude and scope, the plans have one characteristic in common, in that they have certain economic objectives clearly laid down and, in most cases expressed in quantitative terms in the form of investment and/or production targets.

The ultimate aim of economic development may be said to be to *increase per capita income and consumption* in the long run. However, this is specifically mentioned as a target in only a few plans such as those of Burma, India and the Republic of Korea. In the Eight-Year Plan for Burma the restoration of pre-war per capita income was mentioned as the primary target of the plan. Similarly, in all the three plans prepared for the Republic of Korea, the primary target was to secure and maintain, despite further population increases, living standards at least equal to those in 1949/50, the year before the Korean war. For countries which suffered considerable damage due to war, the restoration of pre-war standards of living forms an appropriate target for their development efforts. In India the long-term target was to double per-capita income in a period of 27 years. Phasing the development programme over this period, the First Five-Year Plan aimed at raising the national income by 11 per cent. Encouraged by the rate of increase in national income achieved during the first Five-Year Plan period, however, and considering the rates of increase in the national income in several other countries ranging from 3 per cent per annum in industrially advanced countries without any attempt at planning, to 12-16 per cent per annum in eastern European countries with planning efforts, the planners in India have aimed in the draft frame of the Second Plan at an increase in national income of 5 per cent per annum, a rate of increase more than double that of the First Plan.

1. The reported plan was remodelled into a Five-Year Plan, to be started in 1956, with few modifications on its target figures, by the Government and approved by the Cabinet on 23 December 1955.

On account of the diversity in economic conditions and political beliefs, the methods adopted by the countries of the region to achieve the ultimate goal of raising the standard of living of the people are also diverse. However, a number of basic features are common to most economies in the region, such as excessive dependence on primary production, population pressure, lack of adequate social and economic overheads, etc. In order to remedy these basic deficiencies in the economies, the planning authorities in each country have set up a number of planning objectives appropriate to its own conditions.

Excessive dependence on primary production is undesirable for two reasons. One is that it gives rise to instability in the external-payments position since primary products are subject to large and frequent fluctuations in price and volume of sales in the world market. This external instability generally has far-reaching effects on the economy and in particular renders the planning process extremely difficult because of the uncertainty of availability of foreign exchange so valuable to development programmes with a high import content. The other reason is that per capita productivity is likely to be, at least in general and in the long run, lower in primary production than in manufacturing industry. Both reasons strengthen the case for *diversification*, either within agriculture or within the entire economy or preferably both, although current production during the transitional period may be adversely affected.

In monoculture economies like Burma and Thailand where there is excessive dependence on the rice crop,[2] there are attempts to diversify agriculture itself. In Burma, strenuous efforts are being made to grow more of other agricultural products, such as cotton, jute, sugar-cane, etc. both for export and for import substitution. Self-sufficiency in jute and sugar-cane is expected in Burma by the end of 1956 while the export of raw cotton is being pushed. Similarly in Thailand efforts are being made to increase the production of other agricultural crops, particularly sugar-cane, jute, groundnut and maize.

In other countries largely dependent on agriculture such as Indonesia, Pakistan and the Philippines, industrialization at the present stage aims at setting up light manufacturing industries to utilize available raw materials to satisfy the domestic demand so far met by imports. In Pakistan, private investment in light manufacturing industries, encouraged by the government through the Pakistan Industrial Development Corporation, has resulted in notable increases in industrial production during recent years, particularly in cotton textiles, jute manufactures and paper. The Four-Year Plan of the Republic of China (1953-56) makes provision for the development amongst others of cotton textile, sugar, cement, paper and chemical-fertilizer industries. In the draft Five-Year Plan of the Philippines, 30 per cent of the total investment expenditures are to be devoted to manufacturing, shared equally between the private and public sectors.

The association of industrial development with higher levels of living in other parts of the world has led to the widespread belief that industrialization is an integral part of economic development. Certain countries in the region have launched on large-scale industrialization which necessitates the *establishment of basic heavy industries* such as fuel and power,

2. The export earnings from rice in 1954 constituted 30 per cent of the total value of exports for Burma and 50 per cent for Thailand.

iron and steel, basic chemicals and engineering. In India, where it may be said that the foundation for expansion has been further laid by the achievement of self-sufficiency in food and the improvement of social and economic overheads under the first Five-Year Plan, the draft frame of the second Five-Year Plan has called for a distinct shift in emphasis to basic heavy industries "for the manufacture of producer goods to strengthen the foundations of economic independence". The allocation of investment, both public and private, in the second plan draft frame gives 25 per cent of total investment to industry (out of which almost 80 per cent is for producing means of production) and 9 per cent to electricity. Comparing the outlay in the public sector under the two plans, the share of agriculture, irrigation and rural development plus electricity declined from 44 per cent in the first plan to 32.5 per cent in the draft second plan (out of which 10.5 per cent is earmarked for electricity) while the share of industry and minerals rose from 8 per cent to 26 per cent. Expenditures on transport and communication maintain more or less the same proportion. In mainland China, 41 per cent of the total state outlay under the first Five-Year Plan is allocated to industry, out of which about 80 per cent is for "above-norm" projects.[1] Of the total outlay on "above-norm" industrial projects, nearly 90 per cent is for industries producing means of production, with emphasis on coal and power, iron and steel and engineering. The outlay on transportation and communications, however, takes up only 11.7 percent of the total state outlay, and that of agriculture, 8 per cent. This direct emphasis on heavy industry without a substantial extension and improvement of the transport and communications system and without large-scale investment in agriculture, is in contrast to the case of India, where investment outlays for consumption goods and the service industries relatively have been far more substantial.

The ECAFE region contains countries showing the fastest growth of population in the world and also a number of countries with a very high degree of population density. There is thus the problem of *employment* of new entrants to the labour force, in addition to the existing problem of unemployment as well as under-employment. As a result, employment has been listed as a major target in a number of plans in the region.

The draft Six-Year Plan of Japan aims at full employment as a primary target consistently with the other primary objective of achieving economic self-support, i.e. a viable economy not dependent on sustained foreign aid. In Japan, where a population increase of 5.5 per cent over 1954 is expected by 1960, the labour force is expected to increase in the same period at the rate of 12 per cent. In addition, the number of under-employed persons was estimated in April 1953 to be nearly 10 million[2] while the number of completely unemployed persons reached 720,000 in July 1955. While recognizing the difficulties of achieving full employment in the plan period compatible with the attainment of economic self-support, the plan nevertheless aims at giving as many employment opportunities to the increasing labour force as possible and at the same time solving the problem of entirely unemployed persons. During the plan period, employment in primary industry (agriculture, forestry and fishery) is expected to increase by 4.4 per cent, in secondary industry (mining, manufacturing and construction) by 18 per cent and in tertiary industry (wholesale and retail trade, finance and real estate; transport, communications and other public utilities; services; public services) by 20 per cent. The number of persons remaining entirely unemployed at the end of the Plan period is expected to be about 450,000.

India's draft second Five-Lear Plan also has an employment target, that of providing 11 million additional jobs during the plan period for a labour force which already includes a substantial number of unemployed in urban areas and of under-employed in the villages and which is increasing at the rate of about 1.8 million a year. This rate of increase is calculated on the basis of a labour force composition of 40 per cent of a net average increase in population of 4.5 million. During the period of the first Five-Year Plan, although the planned target of increase in national income was achieved, and in fact exceeded even after allowing for the exceptionally good harvests, the unemployment situation did not ease but actually deteriorated. The draft frame of the second plan therefore specifically makes provision for achieving fuller employment instead of leaving employment as in the first plan merely to follow as a corollary of development. Out of the additional 11 million jobs, 3 million are expected to be provided by household enterprises and construction, nearly 2.4 million by the professions and services sector, 2 million by wholesale and retail trade and transport (excluding railways), etc. while the mines and factories absorb about 1.7 million and agriculture and allied pursuits another 1.5 million. In order to encourage increased production of consumer goods by household and "hand" industries for their employment effects, the increase in factory production of consumer goods would be limited mainly to better utilization of existing capacity.

In mainland China where rural under-employment is also a serious problem, the Five-Year Plan provides for an increase of 4.2 million jobs during the Plan period. Of these, approximately 54 per cent is in industry, 9 per cent in agriculture, 18 per cent in construction and the remaining 19 percent in commerce and other services.[3] In comparison, population during the Plan period may well increase by around 50 million.[4]

In the Philippines and Ceylon, where the unemployed, according to some estimates, number about one-sixth of the economically active population, employment is listed in their plans either as a major target as in the former or as an important objective as in the latter. The draft Five-Year Plan for the Philippines submitted in 1954 aimed at the reduction of unemployment from 15 to 6 per cent of the labour force. In Ceylon there were estimated in 1953 to be 540,000 persons unemployed and 386,000 persons severely under-employed, and in addition, an annual increase in population of about 200,000 persons and in working population of about 80,000 persons (of whom 16,000 perosns would be in the urban areas) is expected. The programmes for construction, colonization and settlement contained in the Programme of Investment for Ceylon are expected to provide substantial additional employment.

On account of balance-of-payments pressure arising from excessive dependence on food imports, efforts to attain *self-sufficiency in food* loom large in the plans of such countries as India (first Five-Year Plan), Ceylon and to a more limited extent, Japan. In the first Five-Year Plan of India, about one-third of total government expenditures was devoted to

1. An 'investment norm' (limit) has been set for every category of capital construction and any project calling for an investment above the limit set is referred to as an above-norm project. See *infra*, chapter on China.
2. *Economic Survey of Asia and the Far East, 1953*, p. 82.
3. *The First Five-Year Plan*, pp. 128-29.
4. Estimate of population increase derived from the per capita availability figures shown in the article entitled "Comparative analysis of the first five-year plans of China and the USSR', by Yang Chien-pai, in *Statistical Work News*, Peking, August 1955.

increased agricultural production, directly or indirectly. The emphasis was laid in the plan on increased food production with a view to meeting India's deficit in foodgrains and in addition satisfying increased demand for food arising from increases in population and incomes. Targets of additional production of foodgrains set by the plan were 4 million tons of rice, 2 million tons of wheat, one million tons of gram and pulses and 0.5 million tons of other cereals, altogether amounting to 7.6 million tons equivalent to an increase of 14 per cent. Most of these targets have already been exceeded, owing partly to favourable weather.

Similarly, the Investment Programme of Ceylon allocates 36.5 per cent of its total expenditures to improvement of agriculture (including commercial crops), irrigation and fisheries. Substantial efforts are required to achieve self-sufficiency in food as 50 per cent of total requirements of rice of about 800,000 tons are at present imported, aside from the problem of population increase. In Japan only a limited degree of self-sufficiency in food is attempted in view of the rather full utilization of its limited agricultural resources. Considerations of high cost of additional production as well as the desirability of importing from its export markets in the region also limit Japan's efforts at achieving food self-sufficiency. In Japan efforts at substituting chemical fibres for imports of raw cotton and wool are being stepped up under the draft Six Year Plan.

The last but not least of the basic features of the economies of the region is the lack of adequate social and economic overhead facilities. Since the early establishment of the infra-structure of the economy is basic to its further development and since it falls within the competence of the public authorities, a significant proportion of the capital outlay of the plans in the region has been set aside for *basic development*. Defining social and economic overheads as including such basic facilities as transport, communication, power, irrigation and also investment in human capital such as education and health, expenditures on such basic development in the plans would be of significant proportions. The Eight-Year Plan for Burma allotted as much as 50 per cent of its total investment to the improvement of economic overheads. If the public sector allocation for social capital of about 10 per cent is added, almost 60 per cent of the expenditures under the plan would have been devoted to basic development. In view, however, of the balance-of-payments pressure which developed in Burma recently, the proportion of expenditures for basic development is being reduced in favour of export-promoting and import-substituting industries. The Investment Programme of Ceylon, which is a programme of investment for the public sector, similarly devotes about 50 per cent of its expenditures to the improvement of social and economic overheads (over 33 per cent to public utilities and about 16 per cent to social services). In the first Five-Year Plan of India, expenditures on overheads (including irrigation) amounted to more than half of the total plan expenditures. In the draft frame of the second plan, 22 per cent of total investment is allotted to transport and communication, 17 per cent to construction and social services. In Japan and China: Taiwan, where the basic facilities are more or less already developed, the proportion of expenditures on their improvement is relatively smaller.

As can be seen from the above, the planning objectives mentioned are by no means mutually exclusive. Insofar as the resources they claim are limited, they must be assigned appropriate priorities. And in some cases, as for example in countries beset with a substantial unemployment problem, there may be an element of conflict between the objectives of full employment and rationalization. It is however often possible for a country to aim at two or three planning objectives without any conflict between them, as for example in the case of India, aiming at food self-sufficiency, fuller employment and basic development albeit with a certain amount of phasing of emphasis. In general it can be said that the planning objectives overlap in so far as the basic characteristics of the economy for which they are laid down are inter-related.

Public development expenditures and financing

Several countries of the regian stepped up their implementation of development programmes during the year 1955. For all countries of the region detailed data on development expenditures, including both public and private sectors, are not available. Table 26 gives development expenditures in 1955 for the public sector in a number of countries of the region.

Extreme caution is, however, necessary in reading the table, bearing in mind the following reservations. Public development expenditures are not strictly comparable between countries as to their scale because in the first place they are compiled on different bases. For example, public development expenditures for Indonesia do not include those of State enterprises which in recent years were as much as half of the general government's expenditures on development. Similarly, figures for Thailand exclude foreign aid, particularly US aid which in the last few years averaged about a tenth of the figures mentioned in the table. Secondly, cost and price levels are again different in different countries, thus affecting variously the level of real efforts made in development. Furthermore, official exchange rates used for conversion into US dollars may also distort the magnitude of public development expenditures in so far as they deviate from the true purchasing power of the national currencies.[1] Particular attention should be paid in this connexion to the cases of mainland China and Pakistan. Finally, some of the figures in the table are budget estimates and others are revised estimates while both differ from the actuals in various countries.

In the allocation of development expenditures by field, transport and communications appear to have taken up about a quarter of the total development expenditures in most countries of the region. In Thailand the share was larger, about 45 per cent. The importance attached to the development of transport and communications in the development programmes of these countries is understandable in view of the present inadequacy of such overhead facilities in their economies. The establishment of the infra-structure of the economy, one of the main objectives of development, is invariably the responsibility of the public sector. In mainland China the share was about 12 per cent, and apparently is planned deliberately so as to give priority to heavy industries. The large share of transport and communications in the expenditures of the public sector in Japan—as much as one-third of total expenditures—is explained by the relatively small size of the public sector in which the improvement of public utilities must necessarily dominate its investment activities.

Rehabilitation, and in some cases extension, of railways took up a substantial proportion of the expenditures on transport and communications—a third of the total on the average. Expenditures on roads (mostly for maintenance in India and some additions in Pakistan, the Philippines and Thailand) and on ports (for rehabilitation in Burma and expansion in India, Thailand and Pakistan) also figured prominently.

1. In the case of Indonesia where there is considerable divergence between the official rate of exchange and the prevailing market rate, Class II import rate, at which most of the capital goods are imported, is used for conversion into US dollars.

TABLE 26

TOTAL AND PER CAPITAL GOVERNMENT DEVELOPMENT EXPENDITURE, 1955

(million US$)

	Burma (RE)	Ceylon (RE)	China: mainland (E)	India (E)	Indonesia (E)	Japan (E)	Malaya & British Borneo[a] (E)	Pakistan[b] (E)	Thailand (E)
1. Total public sector expenditure ..	655	243	12,627	3,489	..	..	..	886	..
2. Total public development expenditure	175	84	7,660	1,493	85	1,555[c]	121	337	64
3. Percentage of total public sector expenditure	27	35	61	43	..	..	..	38	..
4. Per capita public development expenditure ($)	9	10	13	4	1	18	15	..	3
5. Allocation of public development expenditure	175	84	7,660	1,492	85	1,555	119	337	64
a. Agriculture, community development, resettlement	24	11	1,765	243	6	455	7	16	3
b. Irrigation, multi-purpose and power	34	32		441	17	178	27	122	9
c. Transport and communication	35	20	911	396	32	516	26	82	29
d. Industry and mining	43	2	2,712	88	12	282	0.2	53	3
e. Social welfare and all other ..	39	19	2,272	324	18	124	59	63	20
6. Financing of public development expenditure									
a. Government revenue	159	57[d]	..	144	..	1,010	36[b]	−100	..
i. Current surplus	117	57	..	165	..	437	35	45	..
ii. Miscellaneous receipts on capital account	40	—	..	−21	..	573	0.8	−145	..
b. Domestic borrowing	29		..	..	..	..	27	130	..
i. From the public	11		..	425	..	422	27	..	..
ii. From the Central Bank ..	18	13	..	747	..	—	..	..	..
c. Government cash balance ..	12		..	21	..	—	31	3	..
d. Investment funds	—	2.3	..	—	..	19		—	..
e. External loans	−22	6	..	34	..	60	—	17	..
f. External grants	—	6	..	123	..	44	26	191	..

Sources: For mainland China—*1954 account and 1955 State budget;* for other countries, Consultative Committee for Co-operative Economic Development in South and South East Asia, *Fourth Annual Report*, 1955. Figures may not agree with those published in *infra*, Asian Economic Statistics, special tables E and J because of differences in coverage and classification.

Notes: 1. *Total public sector expenditures* include expenditures on current and capital accounts of the government and the State enterprises.

2. *Total public development expenditures* include development expenditures of the government and the State enterprises. Development expenditure is defined here as expenditures for the purpose of *increasing* the effective physical and human capacities of the economy to produce goods and services. It includes (1) capital expenditures, i.e. expenditures incurred in the creation of tangible assets and (2) *new* service expenditure designed to improve health and knowledge and increase the productive capacity of the population (social capital). As such they do not tally with investment expenditures given in *supra*, table 25 and *infra*, special table G in the section on Asian Economic Statistics.

3. RE = Revised estimates; E = Estimates.

4. Exchange conversion rates per dollar: par value—(*a*) Burma, Ceylon, India: Rs 4.7619; Pakistan: Rs 3.3025 (pre-devaluation rate); (*b*) official rate—China (mainland): Yuan 2.355; Malaya: M$3.06; (*c*) market selling rate—Thailand: Baht 20.88; (*d*) Class II import rate—Indonesia: Rp 15.30.

a. Comprising Malaya, Singapore, North Borneo & Sarawak only. For item no. 6, revised estimate.

b. Break-down figures on "financing" relate to Central Government only; includes resources used for payments of loans and grants to provinces.

c. Excludes local government expenditures. "Irrigation" included under "Agriculture, community development and resettlement".

d. Revised estimates.

In spite of the stringency of the financial situation in many countries, expenditures on social welfare remained at about a quarter or more of total expendituress in most countries.

Agriculture, community development and resettlement expenditures (generally excluding irrigation) average only about 10 per cent of the total development expenditures in spite of the importance of agricultural production either for export or for achieving self-sufficiency in most of the countries. However, the scale of expenditures does not directly reflect the magnitude of efforts in this field because most of the measures like agricultural extension work, the improvement of seeds, etc. do not involve much capital outlay. Similarly, community development, by the very nature of its efforts, requires little capital outlay. In Japan the proportion (which includes irrigation) is much larger, in view of the importance of increasing food self-sufficiency and the necessity for reconstruction works after frequent typhoon damages.

However, expenditures connected with agriculture such as irrigation require substantial capital outlay and these, together with the development of power, account for another quarter of total developmental expenditures in most countries. The lower proportion (excluding irrigation) in Japan is understandable in view of the already high levels of existing facilities. Multi-purpose projects figure prominently under this head of expenditures, especially in India and Pakistan.

Expenditures on industry and mining, however, vary widely from country to country. In mainland China the percentage of total expenditure devoted to industry is as much as 35 per cent, out of which nearly nine-tenths are on heavy industry. In Malaya, a predominantly agricultural country, public expenditures on industrial development are almost nil whilst those on mining—already highly developed—are negligible. Besides mainland China, India devotes a major portion of public expenditures on industrial development to large-scale industries. In other countries expenditures on small-scale industries, especially consumer goods industries, took up the major portion of expenditures under this head, whilst in the Philippines expenditures on mining were more substantial.

In Japan nearly a fifth of the government's developmental expenditures was devoted to industry and mining, mostly in the form of loan capital provided to private industry for equipment. In 1954/55, the government's share in expenditures on capital equipment was about 90 per cent in ship-building, 40 per cent in electricity, 20 per cent in the coal industry, 20 per cent in synthetic fibres and 22 per cent in ammonium sulphate. On account of the importance of reviving or developing these industries after the war, the government's contribution was much higher in the years immediately after the war, as much as almost 100 per cent in coal, 88 per cent in electricity, 61 per cent in ship-building, nearly 50 per cent in iron and steel and almost 40 per cent in ammonium sulphate. Most of these industries have since made a remarkable recovery and some, like the iron and steel industry, have even started to repay the government loans.

Examination of the methods of financing public development expenditures in some of the countries of the ECAFE region points to a number of differing patterns. In some countries like Burma and Ceylon, the investment expenditures were mostly financed out of current surpluses of the public authorities. Domestic borrowings played a limited role while the role of external assistance was even more limited if not negative (repayment of loans in Burma). In the immediate future, beset with balance-of-payments difficulties, the government of Burma intends to pursue its development activities, although at a lower level, by resorting to external loans. In Ceylon, rubber rehabilitation funds financed out of profits from rubber trade may be considered for all practical purposes as a part of government surpluses. It is the intention of the government, as made known in its Investment Programme, to continue its development efforts at the present level in the absence of substantial aid from abroad.

On the other hand, a number of countries relied heavily on external assistance for financing their development. In China: Taiwan the dependence on foreign aid is preponderant. Industrial investment in 1955 is expected to be financed 76 per cent by US aid and its counterpart funds, 4 per cent by foreign and overseas Chinese capital and only 20 per cent by domestic capital. Similarly in Pakistan, external grants of considerable magnitude, supplementted by domestic borrowings, made the financing of heavy investments possible after offseting the deficit in government revenues.

A compromise between the above two patterns of financing is found in the case of India where financial resources were more evenly drawn from all sources as mentioned in the table. While the public capital outlay of Rs 21,233 million under the first Five-Year Plan was financed 50 per cent by budgetary resources (including public loans and small savings—about 22 per cent), nearly 20 per cent by external assistance, and the remaining 24 per cent by Central Bank borrowings and 6 per cent by withdrawal from cash balances, the patern for financing the larger public outlay of Rs 43,000 million under the draft second plan is expected to undergo some changes. It is estimated that government current surpluses will contribute less than 20 per cent, voluntary loan programmes about 22 per cent and external assistance less than 9 per cent. Assuming that defificit financing can be resorted to without causing inflation to cover another 22 per cent, there remains a sizeable gap for additional taxation to cover.

The pattern of financing development in mainland China stands in a class by itself.[1] Taxes and revenue from State enterprises contribute about equally between them 90 per cent of the total revenue while domestic borrowings and loans from the USSR furnish the remaining one-tenth.

Factors promoting or impeding implementation

Factors promoting or impeding imprementation of development programmes in the region may roughly be divided into external and internal factors. Among the former the most important are the terms of trade, foreign assistance and the ready availability of equipment and raw materials from abroad. For economies highly dependent on the export of primary product, now launching on development, fluctuations in the terms of trade have a two-fold significance. Firstly, they can affect the level of available foreign-exchange resources which are required for the import of equipment and raw materials essential for development as well as for the import of consumer goods to absorb increases in income generated by the development expenditures. Secondly, adverse terms of trade will not only reduce the foreign-exchange resources of the countries but will almost certainly limit the internal resources of their governments which derive often a substantial amount of their revenues from external trade in the form of import and export duties, especially since export duties etc. are frequently levied at rates varying with changes in world market prices.

During 1955, however, the improvement in the terms of trade and an expanding world demand for certain raw materials benefited ome countries of the ECAFE region. Indonesia and Malaya enjoyed a conspicuous rise in the price of rubber while for Ceylon the gain was more limited. India and Pakistan gained from a small rise in the price of jute and jute manufactures. On the other hand the rice-exporting countries—Burma and Thailand, and to a limited extent south Viet-Nam and Cambodia—suffered adverse terms of trade. The decline in earnings from rice trade, together with mounting expenditure on development, affected the external payments and financial position of the Burmese Government adversely. The fall in rice price, of course, improved the payments position of heavy rice importers like Ceylon and Malaya, releasing some of their foreign assets for development use. The Phhilippines, which has been suffering from chronic balance-of-payments difficulties, was also adversely affected by the fall in prices of its coconut products and hemp exports.

Foreign assistance, both financial (loans or grants) and technical, is clearly of importance to the countries of the region. The dependence of the ECAFE countries on outside financial assistance varies widely from country to country whereas technical assistance is received by almost all countries either under bilateral (e.g. US and Colombo Plan aid) or multilateral (United Nations) systems.

Prominent among the internal factors impeding programme implementation in countries of the region are inadequacy of basic facilities, lack of technical skills, and organizational defects. The lack of adequate basic facilities is common to all countries in the region except perhaps Japan. The lack of technical skills is also widespread although the degree in which the lack is felt at this stage differs from country to country, as with the inadequacy of basic facilities; the limited technical skills furthermore are sometimes misallocated, thus preventing their optimum utilization. With regard to organization, cumbersome administrative procedures relating to procurement and finance have often given rise to unnecessary delays, and suitable institutions and procedures for the execution of development projects are in many cases still in the formative process.

1. *Infra*, chapter on China.

Chapter 3. AFGHANISTAN

During the year 1954/55[1] the economy of Afghanistan showed signs of improvement. The crop was better than average and brought about a slight decline in agricultural prices. Government tax receipts increased through improved administration, without however changes in tax rates or introduction of new taxation. The exports of the country improved sharply and the foreign-exchange reserves of the Central Bank (Da Afghanistan Bank) accumulated at a rapid rate. The rising export earnings and developing economic activity were reflected in a sharp rise in the supply of money while the cost of living remained stable. The commercial activities of government enterprises increased and some credit institutions and commercial corporations were established. The year 1955/56 offered the same favourable outlook till the end of the first quarter when the dispute with Pakistan resulted in the closing of the Afghan-Pakistan border. A transit agreement was concluded with the Union of Soviet Socialist Republics in the second quarter of 1955/56 to alleviate the economic difficulties thus created. The 1955/56 crop appeared not unfavourable in spite of the relative lack of snow during the winter of 1954/55.

While current economic trends as a whole thus showed improvement, there still remained some basic problems which Afghanistan must solve before it could promote a large-scale expansion in production and trade and a substantial increase in the standard of living of its people. During the second part of 1955/56, the preliminary work was completed on a Second Five-Year Plan to exploit more fully the resources of the country.

BASIC ECONOMIC PROBLEMS

External transit

Recent developments bring to full light the special problem which Afghanistan had faced, especially for the last eight years, as a country without direct access to the sea and with few means of communication with the outside world. Broadly speaking there are three main routes of communication available to the country. The first is from Iran to Herat in the western part of Afghanistan; it is, however, of little use, not only because of the distances between Herat and the other parts of Afghanistan, but also because of the long distance from the sea through the desert in southern Iran where there are few roads. The second route, which is of special importance to northern Afghanistan, goes through the USSR; and is increasingly used recently, especially since the second quarter of 1955/56. The third route, which is the most natural one, leads through Pakistan to the port of Karachi. Both the second and third routes imply transfer of freight from trucks to railway cars and/or ships. Since Afghanistan has no other practical choice but to trade through two of its neighbouring countries, the continuity of the flow of its exports and imports and their cost depend on the policy of its two neighbours.

For landlocked Afghanistan, for which the share of manufacturing in gross domestic product is very low, foreign trade is of vital importance. Development expenditures are tightly linked to the earnings of its exports which are the main source of capital for the country. Moreover, the greatest part of its exports is composed of fruits and karakul, commodities which cannot be fully absorbed by the domestic market when their exportation is stopped or hampered. The closing of the border with Pakistan since the second quarter of 1955/56 meant reduction of exports, especially fruits, and delay in the supply of imported consumer goods and of capital goods required for development projects.

The seriousness of the difficulties experienced by Afghanistan as a result of this closing of the border may be gauged by the importance of its trade through Pakistan in previous years. In 1954/55 about 80 per cent of the exports and 79 per cent of the imports were carried through Pakistan. In order to overcome these difficulties a Transit Agreement was signed in Moscow in the second quarter of 1955/56 between Afghanistan and the USSR, entitling both countries to transit facilities for the ensuing five years. This Transit Agreement was in conformity with and as a consequence of Article VI of the Afghan-USSR Friendship Treaty of February 1921.

Internal transport and domestic trade

A substantial improvement in the internal transport system, which physical conditions make difficult, is required in Afghanistan as a pre-requisite to economic development. There are too few communications between the various domestic markets, each of them too small to offer much scope to prospective industries. The situation reflects itself in the price differential of both agricultural and manufactured products between different localities, which is very high. For example, a seer (7 kilos) of wheat in Maimana Province costs around Afg. 7.5 while in Kabul the price rises to Afg. 21 per seer. While other factors such as the lack of a standard system of weight and measures and the absence of marketing co-operatives and commercial enterprises contribute to the under-development of domestic trade, the main factor is the inadequacy of transport facilities.

Inland shipping is not practicable. The construction of railway transport is being considered, especially to link the eastern and southern parts of the country, where construction is less difficult, with a line from Herat to Kandahar and from Kandahar to Chaman and Kabul. However, the structure of the land and the relatively small amount of potential freight do not favour such projects.

Air transport made a beginning in 1954/55, when the first Afghan airline (Ariyana Airlines Limited) was established, offering services between the main towns in the country and a service between Kabul and Bahrein. The company will extend in the near future its services to the capitals of the neighbouring countries. At the end of the first quarter of 1955/56 a weekly service was opened between Kabul and Teheran by the Iranian Airways and a bi-weekly service between Kabul and Karachi by the Royal Dutch Airlines (KLM). The construction of the international airport at

1. The Afghan calendar year and fiscal year both start on 21 March.

Kandahar is under active consideration. Use of this airport will shorten by about two flight hours the Europe/Far East route and will help the development of a tourist industry in Afghanistan.

Owing to physical and climatic conditions road extension and maintenance is costly. Considering the limited capital resources of the country and its sparse population, the development of the road system represents an extremely heavy burden.

The country has 5,111 kilometres of gravel road which can be used in all weather. During 1954/55 the expenditures on road construction and maintenance doubled as compared with those in 1953/54, and 225 kilometres of roads were re-surfaced. Within two more years 800 kilometres of new roads will be added. In 1954/55 work started on widening the Torkham-Kabul highway. The government will tar the Torkham-Kabul and Kandahar-Spinboldak highways within the coming three fiscal years. With a $2.3 million loan from the Export-Import Bank of Washington a road-maintenance unit was established to train Afghans and provide heavy equipment for road construction. The Government of the USSR advanced a credit of $2.1 million in 1953/54 to finance heavy equipment for road building, a tar factory and tarring equipment. The factory is completed in Kabul.

A survey of the Salang ropeway project is made by a British firm and the work will start in late 1955/56 or early 1956/57. This ropeway will shorten the distance from the northern country to Kabul, avoid the lengthy and narrow passes over the Hindukush range and reduce the transport cost, especially of bulky commodities. The cost of the project is estimated at $3 million.[1]

In 1954/55 a joint state-private transport company was established at Kabul to accelerate the development of transport facilities. At present the company possesses 300 trucks and this number is expected to increase to 1,000 by the end of 1955/56. The government has provided financial aid to private concerns in other major cities to organize similar transport companies.[2] The number of passenger cars and trucks imported rose from 265 (155 passenger cars and 110 trucks) in 1953/54 to 981 in 1954/55 (106 passenger cars and 875 trucks). The United States supplied the largest number, 152 passenger cars and 110 trucks in 1953/54 and 84 passenger cars and 743 trucks in 1954/55. The balance came mostly from the USSR.

In 1954/55, with assistance from the USSR, large stock tanks were built in Kabul, Mazar-i-Sherif and Herat, with a total capacity of one-fifth of the country's petrol requirements. In the next two years more petrol stock tanks will be constructed.

Nomads

For centuries, every late autumn a large number of people have been leaving the country to find grazing land for their livestock in the vast plain of the Indus. In spring they return to Afghanistan and move towards the ranges of the Hindu Kush. Though the exact number of the nomads is not known, the most moderate estimates put this above one million and some up to two million, which represents a significant proportion of the entire population of about 12 million. The settlement of the nomads on land will eliminate the shortage of labour force in the northern and south-western parts of the country and increase agricultural production. It will also help the country to obtain the full benefit of their trade activities. The Helmand Valley irrigation scheme and other land extension programmes are mainly undertaken to meet this problem. However, the settlement of the nomads raises many social complications, such as the lack of interest of the nomads in accepting permanent residence on the farm land, their inexperience in farming and their psychological resistance to community life in general; it has therefore been rather slow.

Irrigation and power

It is recognized that the development of the country requires a fuller use of its water resources, for which steps are taken to implement the Helmand-Arghandab Valley and the Sarobi hydro-electric projects. Both projects are partly completed and their total completion, provided no unforeseen contingency arises, is now in sight. The experience that will be gained under the present schemes, and especially the resulting skilled manpower and accumulated equipment, will facilitate further progress.

The Helmand-Arghandab Valley Project is the most vital irrigation project undertaken in the country. When completed it will irrigate 331,843 hectares of land in the Helmand and 48,500 hectares in the Arghandab Valley. The project is to be carried out in several stages. The first stage, consisting of soil and drainage survey and building of the Kajakai and Arghandab dams and of the Boghra-Marja-Shamalan canal system, has been completed. The present capacity of the two dams is 2,325 million cubic metres which will be increased later to 3,700 million cubic metres. Canals, distributive laterals and main drains to serve 86,440 hectares are ready for use.

So far approximately 1,010 kilometres of main highways, inter-project and on-project roads are completed and several modern villages built. In 1954/55 water control for the installation of generators having a capacity of 131,000 kW was also completed.

TABLE 27

AFGHANISTAN: EXPENDITURES ON THE HELMAND-ARGHANDAB VALLEY PROJECT

(in million)

Fiscal year	Total expenditure (dollars)	Budgetary expenditure			Loan from Export-Import Bank (dollars)
		Afghanis	Pakistan rupees	Dollars[a]	
1946/47-1949/50 .	24.9	97.6	12.4	16.6	—
1950/51 . . .	6.4	28.6	2.6	0.1	4.2
1951/52 . . .	9.7	52.5	3.2	0.3	5.9
1952/53 . . .	9.2	48.2	2.9	0.1	6.0
1953/54 . . .	8.7	68.7	—	0.5	5.0
1954/55 . . .	8.8	56.8	2.1	3.1	2.4
1955/56[b] . . .	17.4	200.0	—	—	8.0
Total	85.1	552.4	23.2	20.7	31.5

Source: Compiled from data provided by the Ministry of Finance, Government of Afghanistan.

a. Excludes all interest payments to Export-Import Bank of Washington.
b. Draft estimates of the budget, including interest payments to Export-Import Bank of Washington.

1. Paper circulated by the delegation of Afghanistan during the seventh session of the Committee on Industry and Trade, Economic Commission for Asia and the Far East, held in Tokyo (I&T/18, 10 March 1955).
2. Besides financial aid the government provides the following incentives to the development of transport: (a) foreign exchange to any individual or company for the purchase of commercial trucks at the industrial rate of Afg. 30.37=US$1, which is 25 per cent lower than the market rate; (b) full exemption from import duty; (c) exemption from income tax for private truck-owners; and (d) reduction of one afghani per gallon in the price of petrol effective since the middle of 1954/55.

At present the annual yield of the project is small. The policy of the government aims at making the project self-sustaining by 1957/58. The administrative system of the Helmand Valley Authority was reorganized in 1954/55 to increase efficiency. Programmes for education and health were introduced, and an agricultural training centre was opened at Nadi-Ali. In 1954/55 the Afghan Construction Unit was established to work jointly with Morrison-Knudsen (contractor of the project) so as to be able to take over the work after the expiration of the contract with the latter firm.

The hydro-electric power potential of Afghanistan is enormous. The government started on a few hydro-electric schemes and will undertake some more isolated projects. The major scheme undertaken is the Sarobi hydro-electric project which will be completed in three stages. The first stage of the Sarobi scheme, with capacity of 22,000 kW, is scheduled for completion in early 1956/57, to meet the growing demand of the city of Kabul. During the second and third stages the capacity will increase respectively to 88,000 kW and 200,000 kW. The preliminary stages of the Kajakai and Arghandab hydro-electric plants in the Helmand-Arghandab Valley are also completed, as noted above. The Kajakai and Arghandab projects, with a capacity of 131,000 kW and 9,400 kW respectively, will furnish power to the city of Kandahar and other potential towns in the Helmand Valley. A small plant of 2,500 kW is planned for the city of Girisk, also in the Helmand Valley. One project of 2,500-5,000 kW is planned for Laghman in the eastern province to furnish power to the textile factory that will be erected there. Two hydro-electric schemes will be undertaken in the northern province, one at Pulikhumri and another at Khanabad. The Pulikhumri plant will generate about 3,000 kW required for the textile factory and the Khanabad plant, with 700 kW, will supply power to the soap factory. With the completion of these projects the country's existing annual capacity of 14,000 kW will increase to 365,000 kW.

Planning and financing economic development

The magnitude of the problems involved in transport, power, irrigation, trade and social development obviously calls for an over-all development programme. In the third quarter of 1955/56 the government was fully engaged in preparing the Second Five-Year Plan, utilizing the experience gained under the First Plan (1949/50-1953/54).[1] Detailed programmes prepared by the ministries or departments of Agriculture, Mining and Industry, Finance, Trade and Transport are carefully studied by the new Planning Commission established in the Ministry of National Economy. The major expenditures under the Plan will be devoted to irrigation and transport.[2]

The Plan will be financed partly by taxation and partly by domestic and foreign borrowing. Taxation is at present limited to a few sectors and, in the preparation of the Second Five-Year Plan, suggestions to extend sources of taxation are being actively studied. The usual difficulties are met in raising and channelling private savings into productive activities. The government has recently created the Agriculture and Cottage Industry Bank, the Construction and Mortgage Bank and the Commercial Bank (Pashtani Tijarati Bank) to fill the gaps in the short- and long-term credit system. The rate of interest on loans granted by these banks is relatively low and should exert a downward influence on the prevailing rates. The Central Bank and other government corporations have increasingly invested in new enterprises.

However, without an influx of foreign capital, Afghanistan can hardly hope to realize, within a reasonable period, the major steps towards economic progress so badly needed. The Foreign Investment Law enacted in 1954/55 provides equal treatment to foreign and home investors, permitting the former to transfer profits accruing to his capital at the prevailing official rate of exchange. Applications, mostly in the field of manufacturing, have been received from Japanese, Czechoslovak, German, Italian and Austrian firms.[3]

PRODUCTION

Agricultural production

In 1954/55 *crop* production slightly increased, the fall in wheat output to 2.1 million tons from 2.32 million tons in 1953/54 being offset by the rise in the output of rice, maize, other staples and fruit. Though the amount of snow in the winter of 1954/55 was below normal, the estimated crop in 1955/56 is considered to be normal, with a 2 or 3 per cent decline in the output of cereals as compared with the previous year.[4]

There had been a remarkable improvement in the production of raw *cotton* from 26,400 tons in 1953/54 to about 55,000 tons in 1954/55, and to an estimated 60,000 tons in 1955/56, due mainly to new methods of farming such as row planting, proper hoeing and the increase in acreage allotment.

In 1954/55 the production of *wool* was estimated to be 9,100 tons. In previous years the price paid to producers was low. In 1954/55, with government's inducement, a Wool Company was organized to help the sheep-breeders through higher prices and advance payments. Since then the company has improved the grading, washing and marketing of wool.

Karakul production in 1954/55 was a little over 2 million skins. During 1954/55 the Karakul Co-operative increased the stock of winter feed and dug wells to supply fresh water to the flocks. The average price per skin received by producers was about Afg. 100 in 1954/55, as compared with Afg. 70-75 in 1953/54. Owing to better sale of skins abroad and higher payments to producers, output in 1955/56 is estimated to be 2.2 to 2.5 million skins.

Owing to lack of statistics it is very difficult to estimate changes in *livestock* numbers or the output of livestock products. The increase in dry farming is reducing the grazing land and unless the grazing area is increased a shortage of animal feed might develop. Efforts to control diseases will increase the number of livestock and the output of livestock products. The Ministry of Agriculture, with aid from FAO, has opened a research centre in Kabul to study common livestock and plant diseases.

1. Peter G. Frank's report on "Obtaining financial aid for a development plan", in *The Export-Import Bank of Washington Loan to Afghanistan*, September 1953, US Government Printing Office and the article on "Problems of economic development in Afghanistan", *Middle East Journal*, July 1949.
2. Source: Paper circulated by the delegation of Afghanistan at the seventh session of the Committee on Industry and Trade, Economic Commission for Asia and the Far East, in Tokyo (I&T/18, 10 March 1955).
3. The total of these applications amounted to $2 million at the end of March 1955 (I&T/18).
4. In 1954/55 estimated output of main agricultural products was as follows ('000 tons):

Wheat	2,090	Tobacco	17
Maize	664	Cotton	55
Barley	279	Beet and cane sugar	60
Rice	270	Fruits	676
Pulses	5	Wool	9
Potatoes	108	Others	997
		Karakul ('000 skins)	2,032

Source: Ministry of Finance, Government of Afghanistan.

Mining

Scattered geological surveys were carried out in the past but a complete geological map of the country is not yet available. In 1954/55 the Ministry of Mines and Industry established a Geological Survey Department to produce such a map.

Coal deposits at present are estimated at 66 million tons. The only deposits exploited at present are the Ishpushta and Karkar mines. The coal from Karkar can be used for industrial purposes and the mines are close to the sugar and textile factories of Baghlan and Pul-i-Khumri. In 1954/55 coal output declined to 15,400 tons, as compared with 16,800 tons in 1953/54. The government has plans to step up production at the Karkar coal mines from 7,000 to 60,000 tons within the coming two years to meet the growing demand of the industries.

Salt production increased to 26,000 tons in 1954/55 as compared with 16,300 tons in 1953/54.

Until now, no drilling for *oil* is undertaken but, on the basis of strong geological evidence, drilling will start in the Saripul region under a contract signed with a Swedish firm and ratified by the Parliament in 1955/56.

Industrial production

The first census of manufactures for registered establishments was taken in 1954/55 (see table 28). The capital invested in the 23 establishments covered in the census amounted to Afg 803 million.

The output of *electricity* from the Jabal-us-Sriraj and Chak-i-Wardak hydro-electric plants supplying electricity to Kabul city and vicinity increased slightly, from 9.6 million kWh in 1953/54 to 9.9 million kWh in 1954/55.

The first *cement* plant at Jabal-us-Siraj, to be constructed by a Czechoslovak firm within the coming two years, will have an annual capacity of 100,000 tons.

The *cotton cloth* production of Jabal-us-Siraj and Pul-i-Khumri mills increased from 14 million metres in 1953/54 to 17.3 million metres in 1954/55. The construction of the textile factory at Gulbuhar is however behind schedule. By the end of 1954/55 the amount of foreign exchange paid for the cost of machinery and equipment of this project amounted to about $3.8 million.

The output of *sugar* in 1954/55 did not change from the previous annual figure of 5,400 tons and the Baghlan beet sugar factory in the north was still operating below capacity. The cane sugar factory of Jalalabad has not yet started production.

Among the *coltage industries* in 1954/55 the output of carpets increased sharply, mostly because of higher prices in western Europe.[1] To promote cottage industries a research centre was established in Kabul to train students in the modern techniques of spinning, dyeing, tanning, carpentry, rug weaving and leather work. Similar centres will be established in other major towns.

TRADE AND PAYMENTS

In 1954/55 *exports* increased substantially in volume and in value owing to higher prices for karakul in the United States and western Europe and to greater domestic production. Exports reached Afg. 1,403 million in 1954/55, an increase

1. *Vaise* (Quarterly Bulletin of Pashtani Tijarati Bank), vol. I, no. 1, p. 52.

TABLE 28

AFGHANISTAN: FIRST CENSUS OF MANUFACTURES, 1954/1955

	Production		Number of registered establishments[a]	Number of Employees[b]	Total wages and Salaries (1,000 Afg.)
	Unit	Quantity			
Flour, wheat	Tons	406			
Canning and preserving of fruits	Cans	4,857			
	Bottles	9,622	1	56	257
Sugar, confectionery	Tons	10.7			
Manufactured ice	Tons	1,368			
Wood board	1,000 sq. metre	12	1[c]	11	214
Sugar, refined	Tons	5,487	1	1,120	3,457
Paints, varnishes and lacquers	Litres of varnish	3,637	1	8	66
		5			
Leather footwear	Pairs	4,572			
Leather products	Boxes	387	3	103	411[d]
Hides and skins (tanned)	Pieces	13,234			
Cotton, ginned	Tons	10,255			
Soap	Tons	1,016	2	450	2,977
Silk cloth	1,000 metres	9			
Matches	..	..	1	27	23
Cotton textiles					
Cloth	1,000 metres	17,280	3	3,596	14,555
Towels	Pieces	26,294			
Woolen textiles	1,000 metres	179	2	522	2,298
Furniture, stone products, motor vehicle repairs and black-smithy	..	..	4	294	1,726
Printing and publishing[e]	..	..	1	11	49

a. A registered establishment is defined as having a machine with 1 hp or more and at least 3 employees, or 10 or more employees without the use of a machine.
b. Includes operators, technicians, administrators and clerks.
c. Also producing flour.
d. Data for one of the establishment not available.
e. Government printing presses are not included.

of Afg. 453 million over 1953/54. In 1954/55 the combined value of karakul, cotton, wool and fruits export was about 90 per cent of the total value of exports, as compared with 80 per cent in the previous year. Exports of fresh and dried fruits (including edible nuts) were 71,160 tons, almost twice the quantity in 1953/54; their share in total exports increased from 31 per cent in 1953/54 to about 39 per cent in 1954/55.

Exports of karakul and baghana *skins* rose to 2 million skins, as compared with 1.6 million skins in 1953/54, but were still 40 per cent below the 1945/46 peak of 3.3 million skins.[1] In the last quarter of 1954/55 the average price per skin in New York rose to $8.40, as compared with $6.58 for the same period in 1953/54. Owing to better grading the quality of exported skins has improved. The 1953/54 price range of $1.40–$14.75 between low- and high-grade skins was narrowed to $2.50—$16.25 in 1954/55 and further narrowed to $5.20–$15.00 in the first quarter of 1955/56.

Cotton exports increased from 11,400 tons in 1953/54 to 12,500 tons in 1954/55. The Cotton Association has improved standardization, pressing and marketing of cotton and exports are expected to rise to 21,000 tons by 1956/57.[2]

Exports of *wool* declined from 5,870 tons in 1953/54 to 5,260 tons in 1954/55. However, their value increased by Afg. 2 million. In 1955/56 a Wool Control Board was established in the Ministry of Finance to find new export channels for wool.

While exports increased distinctly in 1954/55, *imports* remained at the same level as in 1953/54, slightly over Afg. 1,000 million. Owing to increased production at home, imports of cotton textiles declined from 6,550 tons in 1953/54 to 5,930 tons in 1954/55, though the imports of rayon textiles increased by 548 tons. There was a drop in imports of sugar from 6,963 tons in 1953/54 to 5,844 tons in 1954/55. Stability in imports, combined with increase in exports, resulted in a substantial improvement in the balance of trade. While trade in 1953/54 had left a deficit of Afg. 136 million,[3] a surplus of about Afg. 500 million was reached in 1954/55.

Afghan *trade with the USSR* and the rest of the world has not followed a uniform pattern in recent years. In 1953/54 the value of exports and imports to and from the USSR was approximately 12 and 25 per cent respectively of total exports and imports. In 1954/55 the proportion of exports increased to 19 per cent while that of imports declined to 21 per cent. In the same year about half of cotton, three-fourths of wool, one-fourth of hides and more than nine-tenths of oil seeds were exported to the USSR, which supplied four-fifths of imported sugar, two-thirds of imported iron and steel products, more than one-third of imported cotton piece-goods, one-fourth of imported construction materials and one-tenth of the petroleum requirements of the country.[4]

For several years the country has maintained a partial *exchange control*. Until the second quarter of 1954/55, 90 per cent of the foreign-exchange earnings of karakul and 20 per cent of the exchange earnings of wool and cotton had to be surrendered to Da Afghanistan Bank. In the second quarter of 1954/55 it was decided that all earnings of the above three items were to be surrendered to Da Afghanistan Bank. The exchange earnings of these items surrendered to the central bank come to about 25 to 30 per cent of the total foreign-exchange earnings of the country.[5] For other export items the exporters are obliged to bring imports of equivalent value into the country or sell their foreign-exchange proceeds to other importers who will guarantee to the bank that such proceeds will be used for financing imports.

Since the second quarter of 1954/55 the bank has bought and sold foreign exchange according to three rates, so calculated as to encourage imports of industrial equipment and vital consumer goods and stimulate exports while eliminating excessive profits. The average buying rate per dollar for karakul earnings is Afg. 21.57 and that for wool and cotton Afg. 26.40. The bank's selling rate per dollar for industrial equipment is 30 per cent lower than the free-market rate of Afg. 40-42. Similary, for the purchase of petroleum, sugar and essential textiles carried by government enterprises, the bank offers foreign exchange at rates which are 25 to 30 per cent lower than the free market rate.

In 1953/54 the foreign-exchange receipts of Da Afghanistan Bank amounted to about $10.7 million while its foreign exchange expenditures stood at $11.5 million. The deficit was met by drawing from the reserves. In 1954/55 the receipts of the bank rose to $23.0 million and its expenditures to $20.2 million. In the first two months of 1955/56 the foreign-exchange earnings of the central bank stood at $6.9 million and its expenditures at $3.5 million, enabling the bank to add $3.4 million to its reserves.[6]

PUBLIC FINANCE

Estimated revenue and expenditure in 1955/56 were Afg. 878 million and Afg. 1,301 million respectively, as compared with Afg. 746 and Afg. 1,141 million in 1954/55. The estimated deficit in 1955/56 thus increased by Afg. 28 million, but the ratio of the estimated deficit to total expenditures declined from 34.6 per cent in 1954/55 to 32.5 per cent in 1955/56.

The estimated deficit did not, in fact, occur in 1954/55. In that year estimated tax receipts and estimated total revenue respectively represented only 74.1 and 76 per cent of actual tax receipts of Afg. 697 million and actaul revenue of Afg. 983 million. The amount actually borrowed from the central bank was only 44 per cent of the estimated domestic borrowing of Afg. 200 million. Net borrowing in 1954/55 amounted to

1. The ratio of karakul to total exports fell in value from 36 per cent in 1948/49 to 19 per cent in 1953/54 but increased to 21 per cent in 1954/55.
2. *Report of the Trade Committee to the Planning Commission*, Government of Afghanistan.
3. The import figures for 1953/54 are provisional. All trade figures are taken from data supplied by the Ministry of National Economy, Government of Afghanistan.
4. The 1953/54 trade deficit of Afg. 156 million with the USSR was changed into a surplus of Afg. 57 million in 1954/55.
5. The average share of export value of karakul, cotton and wool to total export value is a little over 50 per cent. The difference between this proportion and the proportion of foreign-exchange earnings of Da Afghanistan Bank arises from the effect of the barter agreement with the USSR.
6. Foreign-exchange receipts and expenditures of Da Afghanistan Bank (million $):

	1953/54	1954/55	1955/56 (first six months)
Receipts			
Karakul	8.2	12.3	7.6
Cotton	1.1	3.8	1.3
Wool	0.4	4.6	0.8
Miscellaneous	1.0	2.2	0.9
Total	10.7	22.9	10.6
Expenditures			
Government budget	4.4	5.0	2.1
Government enterprises	3.5	10.8	1.6
Economic development	—	1.1	0.5
Private industries	3.6	3.8	1.4
Miscellaneous	—	0.5	0.6
	11.5	21.2	6.2
Change in reserves	— 0.8	+ 1.7	+ 4.4
Total	10.7	22.9	10.6

Source: Da Afghanistan Bank.

14.1 per cent of total actual revenue as compared with 34.6 per cent shown in the estimated budget. While government borrowing from the central bank amounted to Afg. 89 million, the government at the end of the fiscal year had a cash surplus of Afg. 204 million.

Estimated expenditures in the 1955/56 budget increased for most items. The main increase was on national defence whose share to total estimated expenditure rose from 17.7 per cent in 1954/55 to 20 per cent in 1955/56. In 1954/55 capital expenditures were 50 per cent of the total estimated expenditures of Afg. 1,141 million, but declined to 36 per cent of the estimated expenditures of Afg. 1,301 million in 1955/56.

As far as receipts were concerned, the agricultural sector, representing more than two-thirds of the gross national product, paid less than one per cent in taxes in 1954/55. In the same year the share of agricultural taxes amounted to about 7 per cent while that of income tax and custom duties combined amounted to 51 per cent of the actual total revenue of Afg. 983 million. In 1954/55 custom duties, without any changes in rates, rose to Afg. 404 million as compared with Afg. 302 million in 1953/54. In 1954/55 indirect taxes, chiefly customs duties, amounted to 51.4 per cent of the actual total revenue and 75.6 per cent of the actual tax receipts. The percentage of direct to indirect taxes had declined steadily from 76.1 per cent in 1950/51 to 61.1 per cent in 1953/54 and took a further sharp drop to 32.8 per cent in 1954/55.

During the last two years tax machinery has been tightened. Improvement in tax administration and a close check on tax evasion have increased government tax receipts. Better co-ordination and budgetary control are, however, necessary and the Ministry of Finance is studying further reforms.[1]

MONEY, BANKING AND PRICES

Since 1953/54 the number and activities of the monetary institutions in Afghanistan have increased. In the summer of 1955/56 Afghanistan became a member of the International Bank for Reconstruction and Development and the International Monetary Fund.

Agricultural financing was stepped up by short-term advances made by major export companies such as the Afghan Karakul Corporation, the Cotton Association and the Wool Company. The Karakul Corporation and the recently-established Cotton Association make short-term advances to karakul producers and cotton growers, estimated annually at Afg. 120–150 million and Afg. 40 million respectively. The Agriculture and Cottage Industry Bank, established in 1954/55, provides credit to farmers and co-operatives for agricultural equipment, land extension and seed improvement. During the first half of 1955/56 the loans advanced by this bank amounted to Afg. 20.4 million. The policy of the bank is to deal with farmers through credit co-operatives, which are being promoted gradually in various parts of the country.

In 1954/55 short-term loans to trade increased sharply. In the first half of 1955/56, Da Afghanistan Bank advanced Afg. 113 million to commercial enterprise. The outstanding short-term loans of the Pashtani Tijarati Bank amounted to Afg. 44 million, almost equal to its paid-up capital.[2]

Long-term loans advanced to industrial corporations by the central bank and Bank-i-Milli amounted to Afg. 95 million in 1954/55. During the first half of 1955/56 Da Afghanistan Bank advanced Afg. 80 million to industrial enterprise. The Bank for Construction and Mortgage, which is engaged in financing long-term housing projects for civil servants, has so far advanced Afg. 37 million to 500 individuals at 3 per cent interest per annum for 27 years.[3]

In 1954/55 the total supply of money increased to Afg. 1,968 million as compared with Afg. 1,337 million at the end of 1953/54, a rise of 45 per cent; currency in circulation and demand deposits increased by 47 per cent and 52 per cent respectively. During the first half of 1955/56 currency issued increased further by Afg. 217 million. The increase in the supply of money was due mainly to rising export earnings and increased economic activity on the part of enterprises. Any further rise in export earnings will lead to further increase in the supply of money unless exchange controls are loosened.

Though the supply of money increased sharply in 1954/55 and early 1955/56, little inflationary pressure was felt. The cost of living in Kabul remained stable during 1954/55 and in the first half of 1955/56.[4] From information available the same situation existed in the other towns. The most important factor contributing to price stability was the increase in output, especially in agriculture and handicrafts. There were, however, other factors that discouraged inflationary tendencies, such as the government cash surplus and the price control on some imported consumer goods effective since the second quarter of 1954/55.

TABLE 29

AFGHANISTAN: CHANGES IN MONEY SUPPLY[a] *(million afghanis)*

Year ended 21 March	CURRENCY			Demand deposits	Total currency in circulation and demand deposits	Changes in money supply in previous 12 months
	Currency issued	Cash in banks	Currency circulation			
1949	755	363	392	478	870	—
1950	845	200	645	311	956	86
1951	968	170	798	301	1,099	143
1952	1,098	213	885	272	1,157	58
1953	1,173	250	923	310	1,233	76
1954	1,219	297	922	415	1,337	104
1955	1,668	585	1,083	885	1,968	631

Source: Compiled from data provided by the Ministry of Finance and Bank-i-Milli.

a. Excludes the operations of Pashtani Tijarati Bank, the Agriculture and Cottage Industry Bank and the Bank for Construction and Mortgage.

1. In early 1955/56 a committee of experts recommended to the Ministry of Finance a 3- to 4-fold increase in land and livestock taxes, giving exemption to persons with one jirib (= 0.1952 ha) of land and two head of livestock. The committee also recommended a rise in income-tax rates on the middle-income group which receives the major share of total trade. Similarly a progressive corporate income tax was recommended with full exemption for corporate reserves used for further capital expansion, and a liberal depreciation allowance. The committe also recommended a sales tax on luxury goods at the wholesale level.
2. *Vaisak* (quarterly bulletin of Pashtain Tijarati Bank), vol. I, no. 1, p. 39.
3. In 1954/55 it borrowed Afg 24 million from the government at 2½ per cent interest per annnum.
4. *Vaisa* (quarterly bulletin of Pashtani Tijarati Bank) vol. I, No. 1, June 1955.

Chapter 4. BURMA

The emergence of a buyer's market for rice, Burma's staple export and main foreign-exchange earner, coincided with the beginning of the arduous implementation of its 8-year economic and social development programme. As the export price of rice fell on the one hand, development expenditures with a high import content gained momentum on the other. As a result, the foreign-exchange reserves of the country registered a steady and continuous decline from a peak level of K 1,269 million at the end of June 1953 to a level of K 544 million at the end of June 1955, when the minimum international reserves required of the Union Bank to hold against the currency circulation plus deposit liabilities of the bank stood at K 235 million.

In March 1955 the government took drastic steps to arrest the continued drain on foreign-exchange balances. The value of all existing import licences was reduced by half and the Open General Licences were temporarily suspended. Exchange control was tightened to effect economies in non-trade payments, both private and public. Budget allotments for current and capital expenditures for the remaining half of the fiscal year 1954/55[1] were revised downwards. In general, only those development projects on which work had already started or pre-payments for, or commitments to, purchase equipment had been made were allowed to be continued; the remaining projects were suspended until further notice. Some of the orders for equipment were cancelled, while some others were deferred and re-phased over longer intervals.

At the same time the government intensified its production and/or export drive for certain commodities with a ready foreign market or a ready domestic demand so far met by imports. Increased security measures were accorded to the timber and minerals industries, whose production is still far below pre-war levels. Agricultural and industrial production of import substitutes were stepped up. Efforts to push sales of rice led to a number of barter deals, mostly with mainland China, the USSR and eastern European countries.

One of the major problems in the process of readjusting the economy to the worsening terms of trade is the maintenance of the stability of the kyat in the light of the dwindling international reserves. The government has ruled out devaluation as a means to halt the fall and aims to increase if possible its holdings of international reserves through promotion of exports. In the meantime, the tightening of import restrictions has given rise to a speculative rise in prices. Barring a liberalization of imports, the only alternative to rising prices is the import and rationing of essential consumer goods by the government's civil supplies agency, which however create administrative burdens. These problems will now be alleviated to some extent by the receipt of a pound sterling loan equal to K 200 million from India and an extension of credits to purchase Indian consumer goods to the value of K 100 million.

1. The fiscal year in Burma is from 1 October to 30 September.

Still another problem is the readjustment of the development programme to the decline in foreign-exchange earnings. The incorporation of Japanese reparations and barter credits into capital goods imports to meet requirements of the programme presents certain difficulties. While a shift from the development of basic services to a speedier rehabilitation of Burma's traditional export industries and establishment of new import-saving industries—the chief means of restoring external equilibrium—is called for, work in progress and existing commitments in the former field make such a shift difficult.

PRODUCTION AND DEVELOPMENT

Gross domestic product

Gross domestic product in 1954/55 is estimated at K 4,836 at current prices, 6 per cent higher than in 1953/54 and 5 per cent higher than in 1952/53. Excluding the gross output from the state marketing of rice, which declined from a peak level in 1952/53 of K 610 million to K 400 million in 1953/54 and K 375 million in 1954/55, the total would be about 7 per cent higher than in 1953/54 and 11 per cent higher than in 1952/53, indicating a steady progress in most other sectors of the economy. Among these sectors, the highest gain absolutely was registered in "other industries and services", particularly construction. However, compared to a projected increase over 1953/54 of 13 per cent, output fell short of expectations, particularly in rice marketing, agriculture and forestry. In real terms, the gross domestic product in 1954/55 was 5 per cent higher than in 1953/54 and 8 per cent higher than in 1952/53 but was still only 88 per cent of the pre-war (1938/39) level.

Gross capital formation in 1954/55 reached its target of K 1,300 million,[2] or 27 per cent of the gross domestic product, while consumer and current expenditures also remained at a high level, mainly by drawing on the accumulated foreign-exchange resources of the country—a process which, in the prevailing economic circumstances, does not admit of repetition.

Agriculture and forestry

Agricultural production in 1954/55 registered a small increase over 1953/54 on account of favourable weather conditions in Lower Burma and in spite of a slight decline in the total acreage sown in Upper Burma. The index of agricultural production rose by 1 per cent to 85 per cent of the average pre-war level.[3]

2. Public capital formation accounted for 62 per cent of the total or K 800 million, of which K 675 million consisted of fixed capital. Addition to government rice stock accounted for most of the increase in stocks. The remaining K 500 million was accounted for by private capital formation—all of it in fixed capital. Total savings were only K970 million, the deficit being financed by utilizing the accumulated foreign-exchange resources.

3. Unless otherwise specified, the pre-war average in this chapter refers to the period 1938/37-1940/41.

Paddy production increased in 1954/55 by 3 per cent to 5,804,000 tons, in spite of a 2 per cent decline in sown area to 4,112,000 hectares. Increased acreage and out-turn in Lower Burma on account of favourable weather conditions more than offset a decline in acreage and out-turn in Upper Burma caused by insufficient rains. The Agricultural and Rural Development Corporation (ARDC) reported continued progress in the distribution of fertilizers and improved paddy seed.

The area under *groundnut* in Upper Burma fell from 321,000 hectares in 1953/54 to 301,000 hectares in 1954/55, owing mainly to unfavourable rains. As a result, the out-turn of groundnut in 1954/55 is estimated to be 154,000 tons against 194,000 tons in 1953/54. In order to achieve self-sufficiency in groundnut oil, the ARDC plans to expand the sown area in the Shan States by at least 20,000 hectares in 1955/56. It will also encourage planting of groundnuts after paddy harvests by timely distribution of seeds and by providing mechanical ploughing.

Other crops such as *cotton, pulses, onion, sugar-cane* and *millet*—but not sesame—showed a small increase both in acreage sown and in out-turn. In the case of *sesame,* in spite of a nearly 4 per cent increase in acreage, drought and uneven rainfalls, especially in Upper Burma, reduced the combined production of early and late sesame to 36,882 tons, a decline of 17 per cent from 1953/54. Although the increase in cotton production was slight, the rise in the output of medium-staple cotton which will replace imports for the Government Spinning and Weaving Mill was proportionally greater.

The area under *jute* increased by nearly 2½ times in 1954/55 to 8,800 hectares. Production is estimated at 6,096 tons of fibre and 5,000 baskets of seed as against 542 tons of fibre and 3,660 baskets of seed in the preceding year. This remarkable increase is due to the use of tractors and fertilizers and to co-operative farming. The area under jute is expected to increase to 17,000 hectares in 1955/56. After the completion of the jute mill at the end of 1956, an annual production of 24 million gunny bags should enable the country to save about K 30 million per annum on the import of bags.

Sown acreage of *sugar-cane* in 1954/55 was well in excess of the pre-war average but the production of white sugar reached only half the pre-war figure, owing to war-time destruction of capacity.[1]

The five-year Virginia *tobacco* plantation scheme, now in its second year of implementation, has been able to supply 10 per cent of cigarette tobacco requirements and will be able to meet full requirements by 1958.

The number of *plough cattle* has continued to increase to about 94 per cent of the pre-war average. Since the sown acreage is only 86 per cent of what it was before the war, plough cattle may be assumed to be approximately adequate.

The ARDC accelerated its activities in 1954/55, spending some K 25 million as against K 15 million in the preceding year. It started the fisheries and the mechanized farming projects and undertook other measures such as distribution of improved seed and fertilizer, supply of equipment, training and extension work, etc. A Land and Agricultural Planning Commission, established during the year, is making good progress in the preparation of an integrated plan for efficient use of all land resources, to be completed by March 1956. In the meantime land distribution continued, and by the end of May 1955, a total of 245,012 hectares had been nationalized and distributed to 59,627 cultivators.

Partly as a result of these efforts and partly on account of favourable rains, agricultural production is expected to show an over-all increase in 1955/56.

The production of major *timbers* was estimated to register a rise of 5 per cent in 1954/55. Production of teak, though still only about one-third of the pre-war figure, has recovered to the 1952/53 level after suffering a sizeable drop in 1953/54 on account of reduced backlog of girdled trees in accessible areas, while extraction of other timbers has exceeded the pre-war figure.

Despite measures for greater security and stepping-up of girdling operations, the expansion of timber production is limited by the excess of the number of trees felled over the number of trees girdled so far, leading to a reduction in the number of standing girdled trees, and also by the number of years required for logs to reach the mill sites. The opening in June 1955 of No. 3 State Sawmill, formerly the BBTCL mill, has increased total milling capacity to 97,000 tons and the completion of No. 4 State Sawmill in September will bring the total milling capacity to 132,000 tons. After the large log stocks already accumulated at the mill sites have been used up, this large milling capacity is not likely to be fully utilized in the absence of an expanded programme of teak extraction.

Mining and industry

The total production of crude *oil* in 1954/55 was expected to exceed 191,000 tons, well above the rated capacity, as against 163,000 tons in 1953/54. The expected completion by July 1956 of an additional refinery at Syriam, with an initial daily capacity of 573 tons rising to about 955 tons at the full operating level, will make Burma practically self-sufficient in motor petrol (two-thirds of which was imported in 1954) and also in kerosene (a third of which was imported in the same year). Other fuel oils, such as aviation spirit and lubricating oil which will continue to be imported, will require relatively little foreign exchange. Paraffin wax production was resumed in 1954; half of it is exported.

Output of other minerals, a fraction of pre-war production, was expected to slump further in 1954/55 owing to declining prices in the first half of the fiscal year of tin and tungsten, continued insecurity, transportation difficulties and shortages of equipment and personnel. The extraction of *tin* and *tungsten* declined in the first half of 1954/55. Expansion of capacity of the Bawdwin mine from 8,600 tons to 9,100 tons of ore a month and improved market prices contributed to the increased production of *lead* and *zinc* in the same period. The production of building and road materials rose slightly. The government is now negotiating joint participation in the Mawchi Mines (tin and tungsten) and the Anglo-Burma Tin Mines.

Construction of haulage ways and shafts to develop two collieries with a combined annual capacity of 300,000 tons started at the Kalewa *coal*-fields. The government is also taking other steps to improve production of minerals, which

1. Part of the sugar cane produced is locally processed into brown sugar.

were an important foreign-exchange earner before the war. Such measures include, amongst others, the survey of iron ore, copper ore and zinc deposits, the building of access roads to wolfram and zinc mines, and the establishment of regional chemical laboratories.

Cement production from the Thayetmyo plant in 1954/55 was expected to reach 61,000 tons as against 55,000 tons in 1953/54. On account of the construction boom, imports of cement in 1954/55 are estimated at 71,000 tons. Even when the capacity of the Thayetmyo plant is doubled by the addition scheduled for completion in 1956, imports will still be necessary.

The completion by end-1956 of two new *sugar* mills, one at Namti with a capacity of 15,266 tons and the other at Pyinmana with a capacity of 23,000 tons, will more than meet Burma's domestic requirements of sugar, the annual imports of which in recent years have been around 20,000 tons.

Output of *cotton yarn* at the Government Spinning and Weaving Mill fell slightly in 1954/55, primarily because of a diversion to the higher-quality yarn of 20-count type, whilst imports rose to meet rising demand from weaving and knitting establishments.

Manufacture of *cigarettes* in 1954/55 was expected to rise but much capacity in the four factories remains idle on account of the shortage of suitable raw tobacco. Production of *brine-salt*, 81,000 tons in 1953/54, was expected to reach 90,000 tons in 1954/55, approaching self-sufficiency.

Work is proceeding on a *steel* rolling mill, a *jute* mill, a *tea* factory, a *tile and brick* factory, a *pharmaceutical* plant and a *silk-reeling* factory; operations in most of these are expected to start in 1956. Production from these plants is expected to replace imports and thus save a substantial amount of foreign exchange.

In order to encourage *cottage and small-scale industries* the government has set up a pilot sugar plant, a textile weaving training centre and a hand paper making plant. Three more pilot plants for condensed milk, pottery and tiles will be completed soon.

Governmental efforts at increasing the industrial capacity of the country include the formation of a construction equipment pool, the reclamation of land on the east bank of the Hlaing River on the outskirts of Rangoon for an industrial site, a grant of K 29.3 million in loans for tiles and brick manufacture, power weaving, sugar making and soap manufacture, etc., and the examination of joint ventures for a paper and chemical factory, a can-making factory and a tyre plant. Government *construction* reached a very high level in 1954/55, more than 400 buildings being completed during the year with 1,051 buildings under construction as of April 1955. The heavy construction programme includes housing, schools, hospitals, office buildings, etc.

Transport and power

The government's capital outlay in recent years, which has been heaviest on *transportation*, has resulted in the expansion of rail and water traffic. The increases from the previous year have been sharpest in the freight loadings of the Inland Water Transport Board (IWTB)—as much as 50 per cent—and in passenger traffic on the Burma Railways—as much as 25 per cent. Continued increases are expected from 1955/56 onwards as a result of expected deliveries of substantial amounts of new equipment for which orders have been placed.

The rehabilitation of the railways, which had absorbed approximately K 375 million of investment, took another K 60 million in 1954/55. The IWTB and the Union Shipping Board, which are currently expanding their operating fleets, spent between them a sum of K32 million in 1954/55. Civil aviation expenditures on the construction of airfields and the installation of air station equipment also increased in 1954/55.

Work is proceeding on the electric *power* programme which aims at the development of a large 84,000 kW hydro-electric plant at Balu Chaung, construction of numerous diesel generating stations in towns, and large expansion in power distribution lines. The Balu Chaung project is expected to be completed in 1958. Town and rural electrification has been started in some localities. A power station is being built to feed the new steel and jute mills near Rangoon. Capital expenditures in 1954/55 on power, even after reduction from original budget estimates, stand at K 168 million as against K 36 million in 1953/54.

TRADE AND PAYMENTS

Continued fall in reserves

Foreign-exchange reserves had fallen from a peak level of K 1,269 million at the end of June 1953 to K 760 million at the end of September 1954 (as against an anticipated figure of K 1,050 million). In the first three quarters of 1954/55 (October 1954 to June 1955) there was a further decline of K 216 million, bringing the level of foreign-exchange reserves down to K 544 million.

By comparison with the corresponding period of the preceding year, both receipts and payments in the first half of 1954/55 were lower. The low level of receipts is partly accounted for by an unusual lag in collections by the State Agricultural Marketing Board (SAMB) rather than by a fall in export shipments.[1]

The implementation of the Japanese Reparations Agreements scheduled for April 1955, the beginning of the Japanese fiscal year, was awaiting the finalization of procedural matters. Consequently receipts under reparations, estimated at K 20 million for 1954/55, were not realized. The estimated amount for 1955/56 is K 130 million.

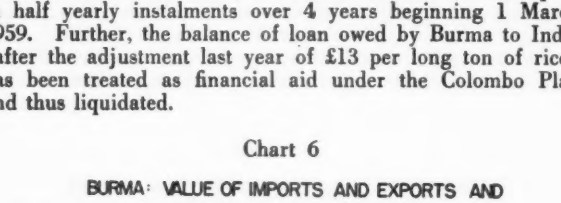
In the first half of 1954/55 payments for imports fell from those a year earlier, particularly in expenditures for military goods which were lagging behind orders placed. Non-trade payments which remained at a high level in the first half of 1954/55 were expected to rise further in the second half, on account of government's obligations for contracts for construction activities, factory operation, engineering and design services, and consulting services.

1. In fact the volume of tonnage shipped of every important export commodity was higher, and even at lower average prices the total value of export shipments was K 112 million greater than in the corresponding half of 1953/54.

A loan from India of K 200 million in pounds sterling bearing interest at 4 per cent and an extension of credits to purchase Indian consumer goods to the value of K 100 million have now been approved. The loan will be partly used to finance the import of consumer goods from sources including India. About 80 per cent of the consumer goods imported from India under the extended credits will be on government's account. The total amount of India's advances will be repaid in half yearly instalments over 4 years beginning 1 March 1959. Further, the balance of loan owed by Burma to India (after the adjustment last year of £13 per long ton of rice) has been treated as financial aid under the Colombo Plan and thus liquidated.

Chart 6

BURMA: VALUE OF IMPORTS AND EXPORTS AND FOREIGN EXCHANGE HOLDINGS



Exports

Merchandise exports in the first half of 1954/55 reached K 600 million as against K 485 million in the corresponding period of the preceding year; of this total, rice exports accounted for three-fourths and other agricultural produce contributed another one-sixth. Timber and minerals between them accounted for K 30 million out of the remaining K 50 million. At the end of June 1955 the loadings for shipment by SAMB of rice and rice products reached 1.38 million tons. Assuming a monthly shipping rate of over 100,000 tons during the July-September period, the volume of shipments for the year 1954/55 should reach 1.68 million tons. However, the total value of rice exports may be slightly less than in 1953/54 when rice export volume was at a much lower level of 1.29 million tons. The reduced level of receipts[1] is due to lower average prices for standard quality rice and a larger proportion of bran sold in 1954/55. The shipments for 1954/55 include about 580,000 tons to India which represent the balance of the rice contract for 900,000 tons, and 173,000 tons to mainland China and eastern European countries (*i.e.* Czechoslovakia, East Germany, Hungary, and Poland) under barter arrangements.

In the first half of 1954/55 there was an increased volume of shipments at higher prices of other agricultural produce such as cotton, pulses, oil-cakes and rubber, with a sharp rise in the value of their exports. The shipment of metal ores remained at the same low level as in the previous year. Although the average export prices remained high, the volume of timber exported declined slightly.

1. Including export receipts from barter transactions.

Imports

Payments for private imports in the first half of 1954/55 were slightly higher than a year previously. The stricter import controls imposed since March 1955 should prevent them from rising in the second half-year but the total for the year may be only slightly less than in 1953/54.

On the other hand, government imports, payments for which declined by K 40 million in the first half of 1954/55, should show a large increase in the second half-year period, as suggested by the commitments remaining after the budget cuts on both current and capital accounts, in almost all the government departments, boards and corporations at the beginning of the second half-year.

By comparison with the first half of 1953/54, consumer goods imports in the first half of 1954/55 showed a relatively greater increase than capital imports. The opposite trend was expected for the second half of 1954/55.

On 7 March 1955, the government reduced by 50 per cent the value of all import licences for the period ending September 1955, except those covering goods for personal use or issued for industrial raw materials. Only goods for which irrevocable letters of credit were opened on or before 7 March were regarded by the government as a commitment. This was followd by an immediate suspension of all open general licences until further notice. All goods formerly covered by an OGL would therefore require an individual licence unless they were shipped before 11 March.

In spite of the government's assurances that such drastic steps were taken to prevent wastage of foreign exchange by speculators who were piling up stocks far in excess of the demand and that a regular supply of essential commodities would be ensured, there was a sharp speculative rise in prices of imported goods. Following the government's introduction of Open General Licences Nos. 1 and 3 on 21 March covering 35 essential non-dollar items and its announcement of the plan to utilize the Indian loans to finance consumer imports, however, some of the prices drifted back to lower levels.

In order to scrutinize all foreign-exchange expenditures by government agencies, a Foreign-Exchange Control Authority has been set up under the Economic and Social Board to give prior approval to all foreign-exchange commitments or payments. The authority will also review the import-licensing plans of the Ministry of Trade Development (re-organized out of the Ministry of Commerce to extend its control over the State Agricultural Marketing Board (SAMB) and the Marketing Department of the Mineral Resources Development Corporation).

Bilateral trade agreements

The emergence of a buyer's market for rice, brought about by increased production in the importing countries as well as the exporting countries, has led to a decline in the import of Burma rice by the traditional buyer countries. In order to stabilize its export earnings, the Government of Burma has entered into a number of trade agreements, some of them on a barter basis, with both the traditional buyers and the new buyers in eastern Europe and elsewhere.

Non-barter agreements are concluded with Japan, Ceylon, the Ryukyus and Mauritius, and barter agreements with Indonesia (rice against sugar, coffee, pepper and rubber, the

last-mentioned item for re-export to mainland China), mainland China (rice against metals and steels, construction materials, sanitary equipment, paper, cotton yarn, silk, etc.), the USSR (rice and other agricultural produce, timber and rubber against capital equipment, chemical goods, vehicles, medicines, etc.), the eastern European countries (rice and timber against engineering products and some varieties of consumer goods) and Israel. Accounts are to be kept in sterling and the balances are to be settled in that currency. It is estimated that for the year 1955/56, almost half of Burma's exports of rice will be on a barter basis.

Some problems arising out of these barter arrangements relate to the choice of goods, price adjustment and shipping. The problem of selecting suitable consumer goods as well as capital equipment from the new sources of supply is complicated by the lack of acquaintance with such goods in the case of the former and by the uncertainty of continued availability of spare parts, maintenance facilities, etc., in the case of the latter. Higher prices due to artificially-maintained exchange rates in some of these source-countries present another difficulty. Lack of regular sea communications with many of these countries and the high costs of chartering foreign ships constitute another problem arising from the barter agreements.

As a result of the export-promotion and import-control measures taken to counteract the decline in the off-take of rice by the traditional buyers and the consequent reduction in foreign-exchange earnings of the country, and of the receipt of reparations from Japan, the direction of Burma's trade is expected to undergo a significant change in the immediate future.

PUBLIC FINANCE

Following a small budget deficit (current and capital accounts combined)[1] of K 51 million in 1952/53, the government incurred a sizeable deficit of K 155 million in 1953/54 on account of heavy defence and investment expenditures. For similar reasons, the revised estimates for 1954/55 disclose a deficit of K 175 million. A larger deficit of K 313 million[2] is budgeted for 1955/56 in view of the sharply reduced income from the State-managed boards and the cost of maintaining defence and social service expenditures.

Revenue

According to revised estimates, revenues for 1954/55 will fall short of expectations by K 73 million mainly on account of reduced income from the State-managed boards, particularly the SAMB. Beginning 1953/54 the profits of the State-managed boards were assessed to income tax, over and above which rehabilitation contributions were to be made by some boards according to their financial position. There was also a decline in trade receipts such as customs duties, import licence fees and sales tax, as a result of the shortfall in both exports and imports. Interest receipts amounting to nearly K 10 million due from the Burma Railways have been suspended in order to relieve its heavy financial burden.

Revenue estimates for 1955/56 anticipate a decline by 28 per cent or K 286 million below 1954/55, mainly on account of reduced income from the State-managed boards. The SAMB proposes to invest its profits after taxation in capital facilities and other measures to improve the quality of rice instead of making a rehabilitation contribution to the government as hitherto. Import restrictions are also expected to lead to a further reduction of customs duties by about K 10 million.[3] Increased rates of duty on cigarettes, sugar and petrol, and a new excise duty on carbonated drinks and syrups, which are the only changes in taxation this year, are expected to realize an additional revenue of about K 10 million.

Expenditure

According to revised estimates for 1954/55, expenditures for the year are more or less comparable to those of the previous year, with the exception of a small rise in investment and loans and advances, which contribute to capital formation. However, when the capital expenditures of the State enterprises are added, total public capital outlay is seen to have almost doubled over the preceding year.

Compared to budget estimates a year before, however, expenditures for 1954/55 according to revised estimates fell short of expectations. In order to improve its payments and financial position, the government took steps in the middle of 1954/55 to reduce both current and capital expenditures. As a result there was a downward revision of K 127 million or one-third in the investment, and loans and advances items of its budget. Whereas the budget deficit in 1953/54 was largely financed by running down the government's cash balances, the deficit in 1954/55 was financed mainly by the sale of securities, largely to the banking system.

Many projects in the development programme have now reached the construction stage and will soon begin to operate. Development progress can be gauged from the government capital outlay given in table 30.

TABLE 30

BURMA: GOVERNMENT CAPITAL OUTLAY,[a] 1952/53 TO 1955/56

(Million kyat)

	1952/53	1953/54	1954/55[b]	1955/56[c]
Agriculture[d]	13.9	62.5	44.0	39.7
Irrigation	3.3	12.4	5.2	2.6
Forests	9.7	8.6	11.2	3.4
Mining	..	3.3	12.0	16.1
Transportation	78.1	131.2	190.5	139.9
Communications	4.8	8.1	32.7	38.0
Power	8.0	36.3	168.1	61.7
Industry	1.7	38.2	133.1	64.6
Construction[e]	39.4	70.0	130.6	49.7
Pyidawtha Discretionary Grants	9.2	9.8	11.0	5.0
Miscellaneous	13.2	15.2	32.4	44.7
Total	181.3	395.6	770.8	465.4

Source: Economic Survey of Burma, 1955.

a. Accounts for 1952/53 and 1953/54; budget estimates for 1954/55 and 1955/56. Excludes the following items of governmental capital outlay: defence, joint ventures, loans to agriculturists and working capital for the State Agricultural and State Commercial Banks, etc. Therefore, these figures are not directly comparable to the published data on capital budgets.
b. Adjusted for cuts and revisions made by the government since the start of the fiscal year.
c. Estimates by the Central Statistical and Economics Department.
d. Includes capital expenditures of the State Agricultural Marketing Board.
e. Consists primarily of building construction.

1. The published budget shows a small surplus of K 23 million, because of the differences in classification. In the classification used in the *Survey*, *revenue* excludes proceeds from loans and other forms of borrowing and transfers from reserve funds while *expenditure* includes current as well as capital outlays and loans and advances granted by the government, but excludes debt redemption, contribution to sinking funds and transfers to reserve funds. Consequently, the resulting *budget deficit* is also different. The budget deficit is here defined as the difference between government payments and receipts excluding debt redemption, borrowing and certain monetary operations ("extra budget receipts"), and is equal to the sum of net borrowing by the government and the decrease in government cash holdings.

2. The deficit will be reduced to the extent Japanese reparation receipts materialize.

3. This decline in customs revenue may not, however, come about, if with the improvement of the country's external payments position the import controls are liberalised during the course of the year.

Government capital outlay has increased fourfold in the past three years. The fields in which investment has been heaviest are transportation, power, industry and construction; they accounted for three-fourths of the investment in the past three years. The investment figure for agriculture would, however, go up substantially if loans to agriculturists through the State Agricultural Bank or otherwise were added. Similarly, investment by joint ventures would raise the capital formation figure in the field of mining.

The government capital outlay in 1955/56 is expected to be 40 per cent less than in 1954/55. Expenditures on mining will, however, be increased whilst those on agriculture will be only slightly reduced. Heavy expenditures on transportation and communications will continue as a follow-up of the work in progress.

The government is now framing a Three-Year Plan aiming at a more modest level of investment consistent with the available financial resources. Annual investment targets will be revised at the end of each year, particular attention being paid to the foreign-exchange situation of the country. The Plan will give priority to projects which will earn or save foreign exchange; they will be mostly executed by the government's industrial, mineral and agricultural development corporations.

In order to encourage private investment, the government issued in June 1955 a statement defining its policy towards private capital, both domestic and foreign. It guaranteed new enterprises against nationalization for an agreed period of not less than ten years, apart from offering incentives relating to foreign-exchange allocation, tariff protection, credit and remittance facilities.

MONEY SUPPLY AND PRICES

The cash-consolidated budget of the government contained in the *Economic Survey of Burma, 1954* anticipated for the fiscal year 1954/55 an increase of K 250 million in the private money supply as a result of the government's cash deficit with the private sector. The actual increase turned out to be only K 204 million, because of heavy drawing on the accumulated foreign-exchange balances of the country. The actual foreign receipts having fallen well below the estimate by 30 per cent; a large part of the excess of private foreign payments over private foreign receipts was financed by running down the foreign-exchange reserves.

Total money supply of K 1,272 million at the end of June 1955 was about the same as that a year before. However, there was a shift in the composition, government deposits having fallen by K 97 million and private money supply having risen by K 95 million.

During the period October 1954 to June 1955 the total money supply increased by K 168 million in contrast with a decline of K 67 million in the corresponding period of the preceding year. This is due to the fact that the decline in foreign-exchange reserves—until recently the only cause of fluctuations in the money supply—by K 225 million was more than offset by the purchase of government securities by the banking system to the amount of K 387 million. Increase in advances by commercial banks of about K 34 million also contributed in a small measure to the expansion in money supply. The fall in the government's cash balances continued in this period in spite of the heavy sale of securities. Notes and coins in circulation increased consistently with the increase in domestic economic activity. Total direct government loans, both gross and net, during the first half of 1954/55 were higher by about K 50 million than in the first half of the preceding year.

The index of wholesale prices for agricultural produce in June 1955 was about 11 per cent lower than in June 1954. The consumer-price index for a Burmese worker's family in Rangoon fell by 7 per cent in the same period.

The *Economic Survey of Burma, 1955* estimates an increase of K 195 million in the private money supply in 1955/56, as a result of the government's expected cash deficit of K 726 million with the private sector to be offset mainly by an excess of private foreign payments over private foreign receipts by K 505 million.[1] Since a moderate rise in domestic production can be reasonably expected, an increase of this order is not likely to give rise to any inflationary pressures. However, this must be distinguished from speculative rises in prices especially import prices as a result of import restrictions. The cash-consolidated budget assumes balancing of external payments with receipts. The receipt of the Indian loan of K 300 million since, which will be partly utilized to finance consumer imports both from India and from other countries, will help end the spiral of speculative price rises.

CONCLUSION

The economic situation in Burma in 1954/55 thus presents a rather mixed picture—of considerable progress made in the implementation of the development programme on the one hand and of a marked deterioration in external payments position on the other. For the immediate future, the government is faced with three alternative courses of action to tide over the present difficulties. The first is to continue or even tighten its stringent import restrictions at the risk of increasing the prices of consumer goods. Secondly, it can cut back the development programme considerably. The third solution, to avoid either or both of the first two, is connected with loans or other assistance from external sources. The government has now taken a loan from India partly to finance the import of consumer goods. It is also negotiating a loan from the International Bank for Reconstruction and Development to finance specific projects whilst increased aid is being requested under the Colombo Plan. The extent of external aid available and the measure of success attending the governmental efforts at promoting production and export as well as import substitution will determine the possibilities for rapid development of the country in the near future.

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1. The *Economic Survey of Burma, 1955* gives the following figures in its cash-consolidated statement (in million kyat):

	1953/54 Actuals	*1954/55* Revised	*1955/56* Projected
Domestic receipts of the public sector	1379	1617	1542
Domestic payments of the public sector	2016	2458	2268
Domestic cash deficit	637	841	726
Less:			
Excess of private imports over exports	551	600	505
Net change in private savings	22	37	26
Change in bank loans to privae borrower	–8	0	0
Increase in private money supply	72	204	195

Chapter 5. CAMBODIA

Cambodia has an agricultural economy producing mainly rice, rubber, forest products and fish. It derives its export earnings mainly from rice and rubber. Normally the country's external trade appears to have been in balance, although in the first half of 1955 there emerged a small deficit owing to the decline in rice export consequent upon the poor rice crop in the previous season.

Following the conclusion of the Paris Agreements at the end of 1954 which ended the quadripartite arrangements among Cambodia, France, Laos and Viet-Nam, Cambodia has made its own monetary and trade arrangements. In addition to re-enforcing the existing government administration and civil service, Cambodia's immediate problem is that of developing its present resources with external aid from the United States and France, giving emphasis to the provision of basic services such as irrigation and transport. An effort is being made to develope, in particular, the west-coast port of Kampong-Som for the handling of its trade, although for some time to come the country's main export, rice, will have to be transported from Phnom-Penh southward down the Mekong river for export via Saigon.

END OF QUADRIPARTISM

Up to the end of 1954, there was an economic union among Cambodia, Laos, Viet-Nam and France. This quadripartism was abolished by the Paris Agreements of 29 and 30 December 1954, abrogating the 1950 Pau Agreements relating to tele-communications, control of immigration, planning, navigation on the Mekong river, and access to the Port of Saigon. The common assets of the Indochinese domain were divided among the three States, and an agreement was reached concerning the amount of customs duties to be paid retroactively by Viet-Nam to Cambodia and Laos. Decisions were taken on the abrogation of the customs union, which was followed by the signing of bilateral agreements among the three States relating in particular to transit trade and preferential tariffs. Monetary institutions were transferred from France to the three States. The currency board (Institut d'emission) stopped functioning on 1 January 1955 when three central banks and three exchange-control boards were created. Each State has its own currency: the riel in Cambodia, the kip in Laos, and the piastre in Viet-Nam. By agreement the three currencies were established at par with each other and maintained an identical rate of exchange with the French franc (Fr 10=Pr 1=Ri 1=Kp 1). A temporary distribution was made of the assets and liabilities of the Institut d'emission to enable the three new central banks to start functioning, with final decision deferred until the actual amount of currency notes outstanding in each State became known after the exchange of currency which began in September 1955.

TABLE 31

DISTRIBUTION OF THE ASSETS AND LIABILITIES OF THE INSTITUT D'EMISSION BETWEEN CAMBODIA, LAOS AND VIET-NAM ON 31 DECEMBER 1954

(Pr million)

	Cambodia	Laos	Viet-Nam	Total
Assets				
Franc holdings	1,300	200	1,045	2,545
Advances to the States	350	305	2,350	3,005
Debts[a] of the Indochinese Treasury and Autonomous Compensation Fund	1,081	341	8,331	9,753
Others	154	121	270	545
Total	2,885	967	11,996	15,848
Liabilities				
Notes in circulation	1,268	600	8,827	10,695
Deposits	1,493	256	2,993	4,742
Others	124	111	176	411
Total	2,885	967	11,996	15,848

Source: Rapport annuel d'émission, 1954.

a. No agreement has yet been reached concerning the final settlement of these debts.

From 30 September 1955 notes issued by the Bank of Indo-China, and by the former Currency Board (Institut d'Emission) of the three states, bearing the national effigies of Laos and Viet-Nam ceased to become legal tender in Cambodia. Such notes had to be exchanged before 14 October 1955 for piastre notes issued by the former Currency Board bearing the national effigy of Cambodia or new Riel notes issued by the National Bank of Cambodia. Notes issued by the former Currency Board bearing the effigies of Laos and Viet-Nam as well as piastre and kip notes issued by the National Banks of the two countries are considered as foreign currencies and are subject to exchange control regulations.[1]

To facilitate trade and exchange with Viet-Nam, Cambodia signed, on 27 September 1955, a bilateral payments agreement with that country. An account in terms of U.S. dollars[2] and bearing no interest will be kept by the National Bank of each country to record its transactions with the other contracting party. Settlement of account will take place every six months in the currency of the creditor, or in gold, U.S. dollars, French francs, pounds Sterling, or any currency which is offered by the debtor and accepted by the creditor. If during

1. On leaving Cambodia a traveller going to Laos or Viet-Nam may not take with him more than 400 piastres in notes issued by the Bank of Indo-China or in Currency Board notes bearing Laos and Viet-Nam effigies. Travellers going to countries other than Laos or Viet-Nam may not take with them more than 400 riels in Cambodian currency notes.
2. The rate of exchange is 35 piastres or 35 riels to the dollar.

the six months the balance outstanding should exceed the swing limit of US$4 million, settlement must be made forthwith.[1] Settlement must also be made forthwith in the case of devaluation or revaluation, at the rate of exchange in effect prior to such devaluation or revaluation.

The contracting parties undertake to promote capital movements compatible with their balance of payments situation. As a transitional measure, the assets of the former Indo-Chinese Treasury or other public debt which were transferred by one party to the other in settling a credit or debit balance under the terms of the Paris Agreement of 29 December 1954, may be used in the settlement of commercial or financial transfers between the contracting parties.

PRODUCTION AND DEVELOPMENT

Agriculture, forestry and fishery

In 1953/54 *paddy* production was estimated at around 1,503,000 tons while, owing to unfavourable weather and damage from pests, production in 1954/55 fell by 45 per cent to 810,000 tons.

The cultivation of *rubber* is concentrated in the provinces of Kompong-Cham and Kratie. Production has picked up rapidly since the end of the war. In 1954 the area planted was 26,836 hectares, and production rose to 24,353 tons (compared to 17,000 tons in 1938, 13,000 tons in 1947 and 22,500 tons in 1953). In 1955 production was expected to show a further rise owing to increased availability of labour and the use of new methods.

Two types of *maize* are grown in Cambodia, white maize for domestic consumption and red maize for export. In 1954/55 production of maize came to 157,000 tons, barely 40 per cent of the average pre-war production of 400,000 tons.[2]

The output of *other crops* in 1954/55 reached 19,500 tons for beans, 7,800 tons for soya, 3,600 tons for groundnuts, 3,500 tons for kapok, 2,000 tons for sesame, 830 tons for pepper and 5,400 tons for tobacco.

Forests cover an area of about 8.8 million hectares, or 50 per cent of the total area of Cambodia. The main forest products are timber, firewood and charcoal. Timber production fell from 56,800 cubic metres during the first half of 1954 to 45,500 cubic metres during the first half of 1955.

The Great Lake or Tonlé Sap, a good breeding ground for fresh-water *fish*, accounts for about half of Cambodia's average annual production of 130,000 tons, out of which 35,000 tons are used annually for the production of dried fish. The annual production of sea-water fish is estimated at between 20,000 and 30,000 tons, mainly for export and domestic consumption, and a small part was for processing into dried fish. 80,000 tons of fresh, salted, dried and smoked fish are absorbed annually by the home market. In 1954, 17,400 tons of fresh and dried fish were exported; in the first half of 1955 the total quantity exported amounted to 6,800 tons. In view of the post-war fall in exports of fish to traditional markets—Viet-Nam, Singapore, Hong Kong and Indoniesia,[3] efforts have lately been made to develop other markets in Laos and Viet-Nam, where competition from similar products from Thailand and Japan is, however, strong.

Some progress was made on several agricultural development projects. The irrigation works of Barai Occidental were expected to be finished soon. Further progress was made on the Choeung Prey embankment works, which could not be finished in 1955 owing to lack of personnel, materials and finance. The canal excavations and building-up of embankments in Kandal and Kompong-Cham and smaller projects for the improvement of irrigation were continued. Experiments were undertaken in the use of modern and mechanical methods of rice cultivation and timber extraction. Another station for rice genetics was established, together with a station for the study of maize hybrids. The School of Agriculture, which trains agricultural-extension agents, was enlarged. Plans were completed for the construction in Kompong-Cham of a school for the training of forest wardens.

As the exorbitant rates of interest (known to be around 100 per cent per annum or more) charged to farmers by private money-lenders had severely handicapped agricultural production, the Co-operative Societies and the Office of Popular Credit were established to provide cheaper credit. In 1954, the Office of Popular Credit granted loans to the extent of Ri 56 million, of which Ri 30 million went to the provincial mutual agricultural credit agencies, Ri 23 million to agricultural co-operatives, Ri 750,000 to livestock breeding and the rest to cottage and small industries. Loans granted by the office during the first half of 1955 reached Ri 31.4 million.

Industry and transport

Industry in Cambodia is still of the handicraft type, with very few modern factories. Power production in Phnom-Penh totalled only 15 million kWh in 1954, as compared with 18.2 million kWh in 1953; it rose to 9 million kWh in the first half of 1955. The alcohol output was 89,000 hectolitres in 1954, as compared with 92,000 in 1953; it amounted to 39,000 hectolitres in the first half of 1955. Rice mills, generally on a small scale, numbered 47 in 1951, but nearly 300 more have been established since 1952.

The volume of freight traffic handled by the Royal Cambodian Railway increased from 46.6 million ton-km in 1953 to 60.2 million ton-km in 1954. In 1955, stress was laid on modernization and extension of the existing system (which is 385 kilometres in length), increase of rolling stock, improvement of tracks and buildings. The link between Phnom-Penh and Bangkok was officially put in service on 22 April 1955 and two services were assured each week on this line. The freight carried on the Poipet-Phnom-Penh line during the first quarter of 1955 declined, compared with the corresponding period of 1954, owing mainly to the poor rice harvest.

In 1955 provision was made for the maintenance of the existing network of roads (4,000 kilometres in 1953), together with the completion of a 150-metre concrete bridge.

Construction of the port of Kampong-Som started early in 1955. Steamers were expected to be able to use this port in July 1956.

1. Delays in settlement of over five working days, either for the usual six months' settlement or otherwise, may cause an interest payment of 4 per cent per annum to the creditor. If settlement is delayed for over one month, the creditor may suspend new payments to the account of the debtor.
2. Before the war Cambodia's maize exports were largely absorbed by France, which has since the war expanded its own production of maize. Also maize has had difficiently in competing in post-war markets because its production requires more labour than wheat.
3. Before the war Java alone absorbed 80 per cent of the total export of dried fish from Cambodia.

On 14 January 1955 a semi-governmental enterprise was established in Phnom-Penh, to provide airline service both inside and outside Cambodia, with local capital of which 51 per cent was to be subscribed by the government.

Substantial economic aid from the United States and France has helped to finance many important development projects. From July 1954 to June 1955 United States aid amounted to Ri 462 million for important projects in agriculture and social services, in addition to funds for the construction of the road leading to the port of Kampong-Som. The French Government has authorized a sum of Ri 560 million for 1955-56. For 1955 alone Ri 45 million and Ri 25 million have been allocated respectively for the construction of the ocean port at Kampong-Som and the aerodrome at Phnom-Penh, with another Ri 10 million on a scheme for improved water supply. Australia has earmarked £A 130,000 for industrial equipment and technical assistance, while New Zealand has provided £NZ 30,000 for the construction of the apprentice school of the Royal Cambodian Railway.

TRADE

In 1954 there was a small surplus of Ri 61 million, though during the first half of 1955 there was a deficit of Ri 83 million owing to poor rice crop and export. The total value of trade appears to have declined.

Of the total *exports* of Cambodia in 1954, 38 per cent went to Viet-Nam and Laos, 21 per cent to the French Union, 19 per cent to the sterling-area and 16 per cent to the dollar area. Of the exports during the first half of 1955, 35 per cent went to Viet-Nam and Laos, and 27 per cent to the French Union.

Export earnings of Cambodia in 1954 reached Ri 2,120 million, of which 58 per cent were derived from exports of rice and rubber.

Exports of *rice and derived products* in 1954 amounted to 300,000 tons (Ri 830 million), of which approximately 78,000 tons went to Viet-Nam and 3,000 tons to Laos. The French Union took 89,000 tons and Malaya and Indonesia 57,00 and 44,000 tons respectively. During the first half of 1955, exports of rice and derived products amounted to 87,000 tons, with Viet-Nam taking 60,000 tons, the French Union 13,000, Malaya 9,700 and Hong Kong 3,500 tons.

Rubber exports in 1954 amounted to 30,000 tons (Ri 412 million) of which 77 per cent went to the United States. During the first half of 1955, rubber became the leading export of Cambodia, rice receding to second place. Rubber exports in this period amounted to 11,500 tons, with the United States taking 76 per cent.

Maize exports were estimated at 96,900 tons (Ri 200 million) in 1954; they amounted to 14,400 tons (Ri 34 million) during the first half of 1955. Exports of *fishery* products amounted to nearly 18,000 tons (Ri 110 million) in 1954 and 6,777 tons (Ri 31 million) during the first half of 1955.

Total *imports* in 1954 were estimated at Ri 2,059 million. The main products imported were metal and metal products (Ri 472 million), textiles (Ri 328 million), petroleum products (Ri 166 million), tobacco, cigarettes and cigars (Ri 155 million), cement (Ri 111 million) and beverages (Ri 100 million). The State of Viet-Nam was the principal supplier of Cambodia's imports, accounting for Ri 1,430 million (69 per cent of total imports), but it was estimated that, of this amount, only Ri 30 million represented merchandise of Vietnamese origin. The French Union supplied total imports valued at Ri 314 million.

Imports during the first half of 1955 came to Ri 694 million, with the Republic of Viet-Nam as the main supplier accounting for Ri 242 million or 35 per cent.[1] Next in importance were the French Union and Hong Kong. Imports from Japan, the United States, the Federal Republic of Germany and the Netherlands also increased. It is significant to note that in the first half of 1955, while Viet-Nam's share in total imports fell from 69 per cent in 1954 to 35 per cent, Hong Kong's share rose from less than 3 per cent to 11 per cent. The main products imported were petroleum products, cement, vegetables, fruit, sugar, beer, milk, wheat flour, pharmaceutical and metal goods.

Imports and exports are subject to licences issued by the Directorate-General of Foreign Trade, the Exchange Control Board and the Committee on US Aid Imports.

Most of the export earnings have to be surrendered to the National Bank of Cambodia at the official rate. The exporter is, however, permitted to retain a small part, as follows: (1) from proceeds of exports to the dollar area, 3 per cent for free disposal by the exporter, 12 per cent for the import of specified commodities; (2) from proceeds of exports to other currency areas, 10 per cent for the import of specified commodities.

FINANCE AND PRICES

Since the abrogation of quadripartism in December 1954, Cambodia, unlike Laos and Viet-Nam, has not signed an agreement with France. On 3 January 1955 the National Bank of Cambodia was established as the bank of issue, in succession to the former Institut d'emission of the three States. A provisional allocation to the National Bank of the assets and liabilities of the former Institut d'emission was made at the end of December 1954; it was to be adjusted after the results of the exchange of currency were known. Agreement was also reached on the sum due by the Republic of Viet-Nam to Cambodia on customs duties previously collected (see table 31).

The National Bank of Cambodia was established by a special statute with an authorized capital of Ri 100 million (75 per cent subscribed by the government, 25 per cent by private individuals and companies). It issues currency, discounts bills, makes loans, buys and sells gold and foreign exchange. It is required in the course of time to build up a gold and foreign-exchange reserve equal to one-third of the money supply. The note issue, which stood at Ri 1,268 million on 31 December 1954, rose to Ri 1,928 million on 31 July 1955. The foreign assets of the bank in the same period rose slightly from Ri 1,300 million to Ri 1,320 million.

At the beginning of 1955 five banks had offices in Cambodia. The Phnom-Penh Bank was recently established in Phnom-Penh. In June 1955, the Hong Kong and Shanghai Banking Corporation also opened a branch there. From

1. Merchandise originating from Viet-Nam was estimated at Ri 9 million.

January to September 1955 the sight deposits of the commercial banks increased from Ri 339 million to Ri 801 million, cash balances from Ri 210 million to Ri 751 million and balances abroad from Ri 94 million to Ri 155 million. Short-term commercial bills and advances declined from Ri 185 million to Ri 172 million. The banks seem to be in a highly liquid position.

The revised budget estimates showed a total expenditure of Ri 2,612 million in 1954,[1] as against Ri 1,290 million in 1953, which was mainly due to a four-fold rise in defence expenditure from Ri 457 million in 1953 to Ri 1,633 million in 1954. In 1955 there was a decline in budget expenditure to Ri 1,742 million, accounted for mainly by a halving of defence expenditure to Ri 740 million which was made possible by contribution from external aid. Budget revenue stood more or less unchanged at Ri 1,642 million. The deficit, Ri 977 million in 1954, was estimated to decline to Ri 100 million in 1955. Later revisions of the estimate, however, tend to point to a greater deficit of Ri 700 million, owing to an increase of Ri 300 million on the expenditure side and a reduction of Ri 400 million in revenue. Less than one-third of the deficit was expected to be financed by external contributions to defence.

Tax revenue accounted for about four-fifths of the total revenue during 1953-54. Customs duties, and transaction and consumption taxes, contributed respectively Ri 624 million and Ri 398 million in 1954, which together represented 80 per cent of total tax revenue. Taxes on income and wealth accounted for only 8 per cent of total tax revenue in 1954.

During the first seven months of 1955 the working-class cost-of-living index in Phnom-Penh rose by 10 per cent, from 188 to 207 (1949=100), while the index for the middle class moved up more slowly, from 183 to 193. During the same period the wholesale price of white rice No. 1 rose steeply by 15 per cent, while the prices of black and white pepper rose by about 3 and 9 per cent respectively.

1. The fiscal year is the same as the calendar year.

CONCLUSION

Cambodia, with a population density of only about 30 per square kilometre, is largely undeveloped. Owing to insecurity in recent years there has been some crowding of rural population in cities. There is shortage of personnel, at all levels, especially in government service which had to be expanded after the end of quadripartite arrangements in fiscal, monetary, trade and many other fields.

Under the terms of a treaty for economic, financial, technical and cultural cooperation signed with Japan early in December 1955, 10,000 Japanese farm families will be allowed to emigrate annually to Cambodia over a period of at least five years. Japan also plans to send materials and engineers to Cambodia to build a model city.

Cambodia has normally a trade surplus, mainly through the export of rice, rubber, fish and forestry products, and it should usually be able to finance the cost of its requirements for imports of consumer goods. External aid, however, has helped to finance the country's defence cost in recent years.

In development, the government has shown keen interest in specific projects relating to the provision of basic services, e.g. the construction of the Kampong-Som harbour, the new road leading to the harbour from Phnom-Penh, irrigation and other public works. External aid, mainly from France and the United States, has been a very significant factor in making these projects possible.

A two-year economic development programme of Cambodia (1956-957) is being completed, to be followed by another five-year programme. A Council of Planning, consisting of 10 to 12 members, is planned to be established in January 1956, under the direct supervision of the Prime Minister. This council will be a policy making body whereas the Directorate of Planning will remain as an executive organ for planning development programmes of the country.

Chapter 6. CEYLON

Ceylon's economy is characterized by the production of three major exports—tea, rubber and coconut. The value of exports, of which 90 per cent is derived from these products, has accounted for about one-third of the total gross national product in recent years.[1] The three export crops take up two-thirds of the country's cultivated land, and provide employment to about 30 per cent of the total gainfully-occupied population.

This dependence on a few agricultural exports has renedered Ceylon's economy very susceptible to the fluctuations in the world market. The increase of world demand and prices for Ceylon's exports, notably tea but also rubber, brought about an improvement in Ceylon's terms of trade by 27 per cent in 1954, as compared to a 12 per cent rise in 1953 but a 28 per cent fall in 1952.[2] Such specialization in export production has also made it necessary for Ceylon to import food. In 1954 domestic rice production at 400,000 tons met only one-half of the requirements for domestic consumption,[3] while all of the country's flour and sugar, and a large portion of other foodstuffs, had to be imported. In the period 1951-53, the expenditure on food imports and other consumer-goods imports averaged 32 per cent of the gross national expenditure.

Ceylon's economy, which has functioned efficiently in the production of a few agricultural exports under the plantation system, has secured for its people a relatively high *per capita* income as compared with other countries of the region. Nevertheless the need for diversification to reduce its dependence upon food and other consumer-goods imports is being increasingly felt. Paddy production has recently expanded under government encouragement, in the form of provision of irrigation and government price support, though industrial development is handicapped by lack of fuel and raw materials, limited size of the domestic market, and slow growth of local entrepreneurial activity.

From the long-run viewpoint, Ceylon is faced with growing pressure of population on land. With an area of 65,600 square kilometres of which only 15,800 square kilometres or 25 per cent is cultivated,[4] and a population of 8.4 million in 1954, the country has a population density of 530 per square kilometre of cultivated land which ranks only after Japan, south Korea and China among ECAFE countries. This population is increasing at an annual rate of 2.8 per cent, owing to a high although slowly declining birth rate combined with a rapidly falling death rate. The need to alleviate population pressure and other considerations have prompted the government to promote development, through the first Six-Year Plan (1947/78—1952/53)[5] and the Programme of Investment (1954/55—1959/60).[6]

1. Ministry of Finance, *Economic and Social Development of Ceylon*, 1926-54, p. 33.
2. Taking 1948 as base equal to 100, Ceylon's terms of trade, after falling to 109 in 1952 from the peak of 151 in 1951, rose continuously to 122 in 1953 and 155 in 1954.
3. 1953 was a bad season, production of paddy being 457,000 tons, equivalent to 302,000 tons of rice.
4. The land available for further agricultural development is estimated at 12,300 square kilometres. See Ministry of Finance; *Economic and Social Development of Ceylon, 1926-1954*, p. 2.
5. The fiscal year is from 1 October to 30 September.
6. *The Programme of Investment, 1954/55 to 1959/30*, published by the Planning Secretariat, Government of Ceylon, July 1955.

DEVELOPMENT PLANS AND PROGRESS

Of a total government expenditure of Rs 1.246 million[7] under the first Six-Year Plan (1947/48—1952/53), 50.4 per cent went to basic services such as transport and communications, fuel and power and social capital (education, health, housing, etc.) and 41.6 per cent to agriculture, with only 5.3 per cent for industry.[8] In agriculture, the total area developed was 40,000 hectares, as against 52,000 hectares contemplated in the plan, chiefly for expansion of paddy production. Thanks to the improvement in the terms of trade arising from the Korean-war boom, it was possible to finance two-thirds of the total development expenditure from current government revenue, which was increased by higher export duties and other taxes associated with the boom; the rest was derived from a drawing-down of cash balances and government borrowing, mainly from the banks. The improvement in the terms of trade, and the implementation of the first Six-Year Plan, helped to raise the *per capita* income at 1938 prices from Rs 131 in 1948 to Rs 164 in 1951; the figure, however, declined to Rs 149 in 1953.

The Programme of Investment (1954/55—1959/60), integrated with the Colombo Plan and the Development Programme drawn up by the International Bank Mission, proposed a doubling of the government's development expenditure under the first Six-Year Plan to Rs 2,529 million, with a more or less similar pattern of distribution among economic fields.

TABLE 32

CEYLON: GOVERNMENT DEVELOPMENT OUTLAY IN THE TWO SIX-YEAR PLANS

	Amount (million Rs)		Distribution (%)	
	1947-53	1954-60	1947-53	1954-60
Economic and social over-head				
Transport and communications	302.4	850.0	24.2	33.1
Fuel and power	74.2		6.0	
Social capital	251.5	402.7[a]	20.2	15.9
Agriculture, fisheries & forestry	518.8	922.6	41.6	36.5
Rural development	—	57.6	—	2.3
Industry	65.4	111.8	5.3	4.4
Other				
Miscellaneous & administration	34.1	89.5	2.7	4.0
Defence	—	94.6	—	3.8
Total	1,246.4	2,528.8	100.0	100.0

a. Includes health—118.3, education—146.1, general housing—105.1, unclassified—33.2.

7. Based on the estimate made by the Taxation Commission and excluding expenditure on capital maintenance. See *Report of the Taxation Commission* (Sessional Paper XVII), 1955, pp. 22-31.
8. The remaining 2.7 per cent came under "other".

The government's total development outlay (Rs 2,529 million) strikes a balance between the higher sum proposed under the Colombo Plan in 1950-51 (Rs 3,200 million) and the more conservative figure recommended by the International Bank Mission (Rs 1,600 million); of this total about one-half will be spent on entirely new projects and the balance on completion of existing ones. The primary objective of the Programme of Investment is stated to be "an expansion in the productive capacity of the economy" and "the rate of such an expansion must be sufficiently rapid not merely to keep pace with but also to outstrip population growth."[1]

For the provision of basic economic services, there will be some new major projects along with considerable expansion of the existing ones for ports and harbours, roads and railways, power generation, etc. For agricultural projects, first priority is accorded to irrigation and resettlement, primarily for paddy production. It is planned to irrigate over 48,000 hectares of land and settle over 140,000 families on newly irrigated land or Crown land or by means of village expansion schemes.[2] The replanting of rubber and coconut is also receiving priority attention. Outlays in the sphere of industry are relatively limited, reflecting the government policy of encouraging industrial development by the private sector; allocation of Rs 35 million has been provided for government participation in private industries, both large[3] and small.

There is no definite programme for financing the development outlay during the second six-year period. The resources to finance the development outlay are to be determined each year in the government budget, in the light of changes in the general economic situation.[4] The proposed average annual outlay on development of Rs 420 million, considerably higher than the actual development expenditure of about Rs 300 million for the fiscal year 1953/54, was itself somewhat exceeded by the estimate for capital expenditure in 1954/55 (Rs 452 million). The estimates of resources available for development made by the Taxation Commission suggest that such development outlay can be met within the limits of current revenue and domestic borrowing from the public.

Of the total expenditure of Rs 2,528.7 million, 69.5 per cent is estimated to be local cost and 30.5 per cent foreign cost. Ceylon has recently been receiving, in addition to technical assistance, aid to the extent of approximately Rs 20 million annually under the Colombo Plan, and has raised two loans, one from the London market (£5 million) and the other from IBRD ($19.1 million), both in 1954. The government however, is not counting to any great extent on external assistance in order to implement the programme, and expects that foreign finance if available will assist either in expanding the programme or in maintaining the desired levels of investment in case of any short-falls in revenue.

As the programme covers only investment by the public sector, the development foreseen during the six-year period in the private sector and in the economy as a whole is not clear. The ratio of gross capital formation to gross national expenditure was, on the average, 12 per cent in the period 1951-54, the government share in gross capital formation being slightly larger than the share of the private sector. As the size of personal savings was limited (only 2 per cent of personal income in 1953), corporate savings financed a major part of the gross private capital formation.[5] However, the government expects that private investment, both domestic and foreign, may again reach or surpass the government's own investment, aided by governmental extension of technical assistance, credit, marketing services and concessions, etc. The extent to which private investment measures up to the government's expectations will be a measure of realization of the objective of the programme.

PRODUCTION AND EMPLOYMENT

Agricultural production

Of the total cultivated area in the country, one-third is devoted to food production to meet domestic needs, and two-thirds, as noted, to the production of three export crops—tea, rubber and coconut.

Paddy acreage has expanded in recent years as a result of development of irrigation facilities and government price support schemes. The net area harvested for the *maha* and *yala*[6] seasons combined rose from 326,000 hectares in 1953 to 414,000 hectares in 1954, while production increased from 457,000 tons to 650,000 tons in the corresponding years. In 1955 paddy production for the *maha* season increased to 431,000 tons, as compared to 392,000 tons in 1954 and 268,000 tons in 1953. As an additional 6,000 hectares had been planted for the *yala* crop, a marked rise in total paddy out-turn for 1955 was expected.

Under the price-support scheme, the government has guaranteed a price of Rs 12 per bushel (approximately Rs 575 per ton) for locally-grown paddy and specified prices for other food crops up to the end of 1957. This subsidy, in view of the continuous fall in the market prices for rice, stimulates production though at a high cost. The guaranteed price offered by the government, coupled with the fall in market prices, has helped to maintain at a high level the volume of locally produced paddy and rice purchased by the government.[7] The government found it possible to spend nearly Rs 130 million less on food imports (and to that extent to conserve its external assets) in 1954 than it did in 1953. This reduction of food import bill was due to a fall both in the prices and in the volume of the commodities imported. In the first nine months of 1955, rice imports declined by 1.25 per cent in volume and 18 per cent in value, as compared with the same period in 1954.

The guaranteed-price scheme and other forms of State assistance also helped to raise the production of *subsidiary food crops* such as onions, chillies, maize, kurakkan, etc., for which the acerage sown, though much smaller, has recently risen owing to the implementation of village expansion schemes.

1. *Ibid.*, p. 3.
2. Of this total, 36,000 families are to be settled on irrigated land, 7,000 on Crown land and 100,000 by village expansion schemes.
3. Five factories—a tyre factory, a textile spinning factory, a sugar factory, a fertiliser factory and an ore dressing plant—are included for immediate consideration.
4. In view of the large cyclical fluctuations of major exports and their impact on the economy, particularly on government revenue and balance of payments situation, careful consideration has been given to the effects of a change in external conditions over the six-year period on the financing of the programme. In the case of possible deterioration in external conditions in the early phase or throughout the period of the Programme, scaling down of the programme itself has been suggested as one of the counter-measures (*The Programme of Investment*, pp. 53-54). On the other hand, there is a supplementary schedule of projects which are to be implemented if and when additional funds become available.
5. Central Bank of Ceylon, *Survey of Ceylon's Consumer Finances, 1953*, p. 31.
6. The *maha* is the main paddy-growing season; sowing takes place between August and October and the crop is harvested in February—March. The *yala* season is shorter: crops are sown during March—April and harvested during July—September.
7. Paddy purchases under the government scheme increased from 6,491 tons in 1953 to 75,257 tons in 1954 and 59,100 tons during the first five months of 1955.

Among the export crops, *tea* output showed a significant increase to 166,000 tons in 1954—about 12 per cent above the 1951 level and about 7 per cent above the peak level achieved in 1953—owing primarily to an improvement in world prices. In 1955 production during the first nine months reached 129,000 tons, compared to 125,000 tons during the corresponding period a year before. With the downturn in tea prices which began about mid-February and continued into March and April, production in May and June declined sharply but recovered from July onward. Following the recent decision of the International Tea Committee to remove the restrictions on tea exports[1] the government has proposed to expand tea acreage considerably.

Rubber production fell slightly from 99,600 tons in 1953 to 95,000 tons in 1954; the fall continued during the first nine months of 1955[2] except for latex crepe and scrap crepe, for which world demand increased. Under the rubber-replanting scheme started since 1953, 10,028 hectares were replanted in 1953-54, and another 9,600 hectares were expected to be replanted in 1955.

Coconut production continued to fall in 1954. As estimated by the Central Bank,[3] it was around 2,570 million nuts in 1952, 2,260 million nuts in 1953 and 2,130 million nuts in 1954.

Industrial production

With a view to increasing industrial production the government has undertaken to expand *power* capacity and generation. With the completion in 1951 of stage IA of the Aberdeen-Laksapana hydro-electric project, power output, mainly from the thermal and hydro plants under the Government's Electrical Undertaking Department,[4] rose from 144 million kWh in 1953 to 168 million kWh in 1954, and continued to rise moderately during the first seven months of 1955. Construction for stage IIA of the project, which is designed to double the existing capacity of 25,000 kW, started in 1954 and is expected to be completed by 1957. Pending its completion, an order has been placed for the installation of 12,000 kW capacity in a new thermal power plant in Colombo.

Post-war development in modern *manufacturing*, which is limited, has been undertaken mainly by the government. According to the Government-Sponsored Corporations Act, passed in April 1955, however, the hitherto State-owned factories are being taken over by government-sponsored corporations, which are eventually to be converted into limited liability companies through the sale of government shares to the public.

Of the seven State-owned factories to be handed over to the corporations, the leather, ceramic, cement and plywood factories are now in operation, while the vegetable-oil, paper, and caustic-soda-DDT factories are still under construction or re-organization. The vegetable-oil, ceramic and paper factories were converted into government-sponsored corporations in August 1955. A rise in production is reported for two of the three factories already operating: the plywood factory recorded a monthly output of 35,000 chests, while the leather factory expected to raise its present annual output of shoes from 20,000 pairs to 45,000 pairs. The cement factory, on the other hand, showed a decline in output from 88,400 tons in 1954 to an annual rate of 79,200 tons for the first eight months of 1955. A project is included under the Programme of Investment to expand the annual cement producing capacity, by the installation of a second kiln, to 170,000—200,000 tons.

Since September 1954, the government has taken steps to implement the policy of encouraging industrial development by private enterprise, especially in small-scale industries; 89 such industries have been selected for consideration, of which 17, mostly producing essential consumer goods which are now imported, will receive immediate attention. Technical and financial assistance to the private sector is to be rendered by the government chiefly through two agencies—the Institute of Scientific and Industrial Research and the Development Finance Corporation. The Institute, already established, is to be supported by a government contribution of Rs 5 million, as well as assistance from the International Bank and the United Nations technical assistance programme. The Development Finance Corporation, for the establishment of which a bill was passed by the Parliament in October 1955, is to provide medium- and long-term finance to agricultural and industrial enterprises. Of the proposed initial capital of Rs 24 million, one-third is to be subscribed by private interests as share capital and two-thirds will take the form of a 15-year government loan free of interest, although the corporation is empowered to borrow the whole capital sum from the International Bank.

Other measures to promote private industrial development cover tax exemption, tariff protection, and a liberal policy towards foreign investment. Tax exemption for a period of five years is granted to profits of government-sponsored corporations and up to five per cent of the profits of new industrial undertakings, subject to certain conditions; higher initial depreciation allowances, which afford relief to industries in proportion to the amount of capital invested in plant and machinery, are given in 1955/56 than in 1954/55. Tariff adjustments have been made to facilitate the import of heavy machinery and raw materials and afford greater protection to domestic industries. In a recent White Paper published by the government in July 1955, the liberal policy towards foreign investment, as first pronounced in the Prime Minister's statement at the tenth session of ECAFE in February 1954, was given greater precision and content. A flexible policy is adopted, by which each individual application will be judged on its merits. Foreign investment is welcomed in industrial fields where local capital or technical know-how is inadequate or where new investment contributes to an improvement in the country's balance of payments, but not in trade and distribution. Also, there is no rule requiring majority ownership and control by Ceylonese nationals or their employment in the enterprises.[5] It is proposed that an advisory board assist the government in screening applications for foreign investment. Thus far, foreign investment has been forthcoming for an aluminium-ware factory with Indian participation, a shirt factory with Japanese participation, and a ham-bacon-and-sausage factory with Danish participation; in addition,

1. Under the provisions of the new International Tea Agreement, Ceylon's tea exports, which were hitherto restricted to 154,000 tons, will be free of this curb for the next five years. However, in the event of any crisis in the world tea market, they will be limited to 181,000 tons.
2. Production of rubber in the first nine months of 1955 was 64,000 tons as against 66,000 tons in the corresponding period of 1954.
3. *Survey of Ceylon's Consumer Finances, op. cit.*
4. Besides the government-owned plants, there are many diesel power stations with comparatively large capacity owned privately by tea, rubber and coconut factories and rice mills.
5. It is, however, considered desirable that local capital should participate wherever possible with foreign capital and that Ceylonese nationals should be employed in the enterprises to as large an extent as possible.

proposals are under consideration for a bicycle-assembly plant, a battery-and-accumulator factory, a petroleum refinery, a glass-ware factory, a sugar refinery and a confectionery factory. The government has proposed the operation of an international service for Air Ceylon by a foreign airline on a revenue commission basis, and foreign participation in a project for the development of ilmenite deposits at Pulmoddai.

Transport

Ceylon has 1,445 kilometres of *railways*, which carried an almost unchanged volume of freight during the last three years—1.87 million tons in 1951/52, 1.91 million tons in 1952/53, and 1.89 million tons in 1953/54. In the last-mentioned year, the three major export crops—tea, coconut and rubber—contributed barely 9 per cent of the total tonnage of staple commodities transported by rail,[1] as the bulk consisted of imported fuel and foodstuffs.

There are about 22,500 kilometres of motorable *roads* in Ceylon, with a steady increase in the number of motor vehicles (mostly passenger cars, with also a small proportion of lorries) from 57,000 in 1950 to 80,000 in 1953 and 86,000 in June 1955. The number of passengers carried by buses increased from 11.8 million in 1948 to 15.9 million in 1950 and 27.4 million in 1954. New roads have been developed to open up large tracts of hitherto uncultivated land and provide connecting links to the existing network.

Considerable progress is reported to have been made since 1950 on the project to develop the *port* of Colombo, for completion in 1955/56, with emphasis on construction of quays and warehouses and mechanization of port facilities.

Employment

Of the annual increase of population of 220,000, some 80,000 persons or about 40 per cent are estimated to have been added to the labour force. This rapid rise in labour force every year has been too much for the productive enterprises of the country to absorb, and in 1953 there were estimated to be 540,000 persons involuntarily unemployed and 386,000 persons severely under-employed in the country.[2] In 1954, employment on estates remained substantially unchanged, as in 1953, while employment in industries also failed to show much increase. Employment in private trade covered by the Wages Board, and in government service, has likewise been stationary during the last few years. The implementation of the Programme of Investment in the public sector is expected to provide additional constructional employment annually for 41,900 persons, and create employment opportunities for 94,900 persons upon completion of the projects.[3]

TRADE AND PAYMENTS

In 1954, the foreign trade surplus recorded a new peak of Rs 412 million, as compared with a deficit of Rs 40 million in 1953. Exports rose by 15.2 per cent to Rs 1,809 million while imports fell by 13.4 per cent to Rs 1,397 million. In the first nine months of 1955 exports valued at Rs 1,399 million were three per cent higher than in the corresponding period of 1954. Though imports also rose slightly to Rs 1,069 million, a larger trade surplus resulted—Rs 329 million, as compared to Rs 302 million in the corresponding period of 1954. The terms of trade in 1954 were on the average 27 per cent better than in 1953, owing mainly to a rise in tea prices, and, although there was a fall in tea prices, the average for the first eight months of 1955 was considerably higher than in 1954.

Chart 7

CEYLON: VALUE OF IMPORTS AND EXPORTS

MONTHLY AVERAGES

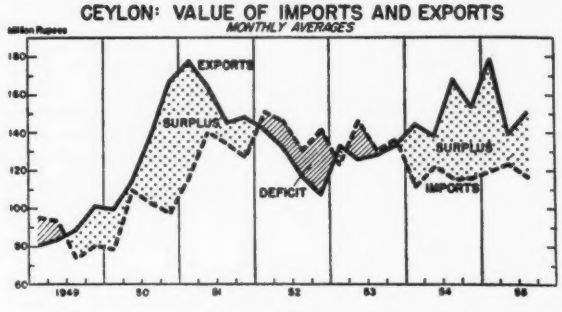
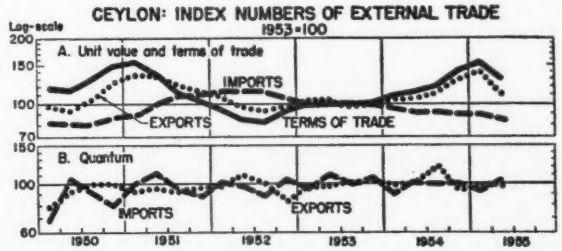


Chart 8

CEYLON: INDEX NUMBERS OF EXTERNAL TRADE

1953=100



The value of *tea* exports reached Rs 1,123 million in 1954 and Rs 894 million in the first nine months of 1955. Tea prices rose sharply during the latter half of 1954, but declined rapidly from Rs 3.27 per lb in January 1955 to Rs 1.28 per lb in May. Prices at Rs 1.72 per lb in June rose to Rs 2.35 per lb in September. In October, however, there was a fall to Rs. 2.22 per lb which was 83 cents lower than a year before. The volume of tea exports declined to 120,730 tons during the first nine months of 1955, as compared to 130,430 tons in the same period a year before. To keep in line with the rapid change in tea prices, the tea export duty was changed several times: it was raised from 45 cents to 60 cents in May 1954, 75 cents in September 1954, Rs 1 in November 1954, and Rs 1.30 in January 1955; reduced to Rs 1 in April and 50 cents in June; and raised again to 65 cents in September.

Exports of *rubber* in the first nine months of 1955 were 65,320 tons in quantity and Rs 221 million in value, as compared to 68,610 tons and Rs 207 million during the same period in 1954. Although mainland China continued to be the largest importer of Ceylon rubber in the first nine months of 1955, under the Five-Year Rubber/Rice Agreement of 1952, which provides for the annual sale of 50,000 tons of rubber by Ceylon and 270,000 tons of rice by mainland China, actual export shipments to mainland China during the period declined considerably, as compared to the same period in 1954, because the Rubber Commissioner of the Government could not obtain sufficient supplies of sheet rubber during June, July and August owing to the sharp rise in world prices of rubber.

1. These export commodities are also transported by lorries, in view of the short distance from the plantations to the port of Colomb.
2. Central Bank, *Survey of Ceylon's Consumer Finances*, 1953. The under-employed are defined to be those whose period of work, when employed, was below 20 hours per week.
3. This does not take into account employment generated in the private sector as a result of the public investment.

As pointed out in the 1954 *Survey*, in 1953/54 Ceylon gained considerably from this agreement, under which the price of rubber was fixed substantially higher, and the price of rice lower, than the corresponding world market prices. This situation was somewhat reversed in 1955 when world rubber prices rose above the contract price. The prices of rubber and rice for 1955[1] agreed upon by negotiation between the two governments in October 1954 have become unfavourable to Ceylon; a trade mission was sent to mainland China in September 1955 to negotiate price revision, and contracts were signed on 16 October to revise the prices of rubber for the period 1 June—31 December 1955.[2]

Exports to other countries increased substantially to 48,970 tons in the first nine months in 1955, as compared to 24,350 tons in the same period of 1954. Between January and September 1955 20,291 tons of sheet rubber were shipped to countries other than mainland China, following the decision made by the Rubber Commissioner in the light of the rise in world prices.

Exports of *coconut* and products continued to be stagnant in 1955, the value of exports being Rs 181 million in the first nine months, as compared to Rs 286 million in 1954 and Rs 337 million in 1953. Reflecting the general decline in the world market prices of coconut oil, the export price index of all coconut products in the first nine months of 1955 was lower by 17 per cent than a year previously. The quantity of copra and coconut-oil exports (in terms of oil equivalent) declined from 108,000 tons in 1953 to 98,400 tons in 1954 but increased to 95,460 tons in the first nine months of 1955. In March 1955, the following reductions in export duties were made: copra from Rs 260 to Rs 200 per ton (further reduction to Rs 185 per ton in July), coconut oil from Rs 208 to Rs 135 per ton, and desiccated coconut from Rs 156 to Rs 95 per ton.[3] With the primary purpose of promoting exports of coconut products, a trade mission was sent to Europe in June 1955.

Export earnings from *minor export commodities*, such as coir fibre (mattress and fibre), cocoa and cinnamon, showed a considerable increase during 1954 but declined moderately in the first half of 1955, owing mainly to adverse weather conditions.

TABLE 33

CEYLON: IMPORTS CLASSIFIED BY TYPES[a], 1949-55

(Mn. Rs.)

	Total imports	Consumer goods	Producer goods			Not Separable
			Capital goods	Other producer goods & materials	Not Separable	
1949 . .	1,029	735	109	162	3	21
1950 . .	1,167	841	113	178	3	32
1951 . .	1,559	1,052	205	250	3	49
1952 . .	1,702	1,136	244	266	13	44
1953 . .	1,608	1,084	219	258	5	42
1954 . .	1,397	961	162	230	4	39
1955[b] . .	1,412	873	235	283	—	23

a. Classification by ECAFE Secretariat. Figures exclude bullion and specie.
b. Annual rate based on Jan-Sep.

Table 33 shows the changes in value of imports classified by types from 1949 to 1955, the proportion for consumer goods having fallen from 71 per cent to 63 per cent, with a rise in the proportion for producer goods from 27 per cent to 35 per cent. The import-volume index of consumer goods (inclusive of rice), which stood at 119 (1948=100) in 1954, increased to 132 during the first eight months of 1955, in spite of a reduction in the volume of rice imported. It is likely that higher incomes resulting from increasing rice production had an impact on the demand for imported consumer goods. However, owing to a decline in import prices,[4] the import value of consumer goods at an annual rate in the first nine months of 1955 was slightly lower than in 1954 and substantially lower than the 1952-53 level. On the other hand, the import value of producer goods showed a considerable increase in 1955, owing to a rise in development requirements.

There have been no marked changes in the geographical pattern of trade during the last few years, except those arising from the Five-Year Trade Agreement with mainland China. Trade with the Commonwealth countries, particularly the United Kingdom, has been predominant. During the first nine months of 1955 the United Kingdom's share was 28.6 per cent of Ceylon's exports and 21.1 per cent of Ceylon's imports; the Commonwealth countries' share (including the United Kingdom) was 56.4 per cent and 50.8 per cent respectively. Mainland China's share in Ceylon's trade declined from 10.0 per cent in 1954 to 6.1 per cent in the first half of 1955.

The balance of payments (current account) surplus totalled Rs 305 million in 1954 and Rs 182 million in the first six months of 1955,[5] as against a deficit of Rs 158 million in 1953, the decisive factor being the emergence of a trade surplus. A sterling loan of £5 million, the net proceeds of which amounted to Rs 63.3 million, and withdrawals of Rs 12.9 million from the International Bank loan of $19.1 million also contributed to the increase in Ceylon's gross foreign assets. On the other hand, the net outflow of private capital in the first half of 1955 was Rs 18.6 million, as compared to Rs 48.9 million in 1954 and Rs. 37.6 million in 1953.[6] Ceylonese nationals have continued to take over foreign plantations, while there has been a slight increase in new foreign investment in industry. At the end of September, Ceylon's foreign assets stood at Rs 1,091 million as compared to Rs 895 million at the end of December 1954 and Rs 607 million at the end of December 1953.

MONETARY AND FISCAL DEVELOPMENTS

Government revenue and expenditure

From 1946/47 to 1952/53, the government's accounts showed a continuous deficit, which was financed largely by the creation of bank credit and the running down of cash balances accumulated during the war. In 1953/54, when the country was faced with a sharp decline in external assets, the government gave up its policy of deficit financing, and followed instead the orthodox policy of balancing its budget. Current expenditure was reduced sharply by the virtual abolition of consumer food subsidies, while current revenue increased substantially as a result of the high export duty collections on tea, resulting in a net surplus in government cash transactions for the first time since 1946/47.

1. The f.o.b. prices for 1955 were 27d per lb for sheet rubber Nos. 1, 2 and 3 and £39 per ton for rice.
2. NCNA, Peking, 16 October 1955.
3. The duty on fresh coconuts remained at Rs 65 per 1,000 units.
4. The index of import prices, as compiled by the Central Bank of Ceylon, was about 4 per cent lower in the first eight months of 1955 than in the whole year of 1954.
5. Figures for 1955 are provisional.
6. The net inflow of Rs. 25 million in 1952 was the result of the transfer to Ceylon of a considerable volume of working balances held overseas by sterling companies operating in Ceylon.

In 1954/55 the policy of balancing the budget was continued. In the original budget the estimated revenue was Rs 1,027 million and expenditure Rs 1,109 million, leaving an estimated deficit of Rs 82 million to be financed largely out of the proceeds of the £5 million sterling loan, floated in London in March 1954. The revised estimates showed a marked improvement, however: revenue rose by 14 per cent to Rs 1,158 million, mainly owing to the increase in export duty on tea. In 1954/55 the government accumulated a net cash operating surplus of Rs 129 million,[1] which was partly utilized to repay domestic debt (Treasury bills).[2]

For 1955/56, no substantial change in budgetary policy is envisaged. The objective, as described by the Finance Minister, continues to be that of a balanced budget, though some compromise is allowed in view of long-term developmental needs. A small deficit of something over Rs 100 million[3] is expected. Total estimated revenue for 1955/56 at Rs 1,162 million is substantially larger than the actual revenue for 1953/54, and slightly larger than the estimates for 1954/55. Proposed changes in taxation, based mainly on the report of the Taxation Commission (May 1955),[4] should give a net increase in revenue of Rs 20 million; they are wide in range but not drastic.[5] The loss from tax concessions is estimated at Rs 7 million and the gain from increases in tax rates and introduction of new taxes at Rs 27 million.

The total estimated expenditure for 1955/56 is Rs 1,268 million, of which current expenditure is Rs 783 million and capital expenditure Rs 485 million. The payment of higher salaries to civil servants accounts for Rs 40 million of the rise in current expenditure. For capital expenditure in 1955/56 the allocation follows, in general, the pattern of priority shown in the Programme of Investment.

Money supply and prices

Government finances and external trade have been the major factors determining the monetary situation in the country. The abolition of food subsidies, an increase in taxation, and the continued trade deficit contributed to a decline in money supply in 1953. In 1954 the disinflationary effect of the budgetary policy was more than offset by an expansion of export earnings, the result being a substantial increase in money supply. The upward trend in money supply continued in the first two months of 1955, but a decline began in March which continued through the next three months. From March to June, the expansionary effects of trade surplus which fell sharply owing to the collapse of the tea boom were more than offset by the contractionary effect of operations in the domestic government sector. The trend, however, was again reversed from July onward, and in September the total money supply at Rs 1,012 million was the highest level reached since July 1951 and Rs 131 million or 14.8 per cent higher than a year before. In the first nine months of 1955 the expansion in foreign sector was considerably less than in the corresponding period of 1954, but the domestic private sector showed a moderate expansion owing largely to an increase in commercial banks' credit to the private sector. These expansions in the foreign and domestic private sectors were offset to a small extent by a contraction in the government sector. The steady increase in fixed and savings deposits, which reached a peak of Rs 219 million in March 1955, was arrested by the collapse of the tea boom, and a decrease followed from April onward.

TABLE 34

CEYLON: FACTORS AFFECTING CHANGES IN MONEY SUPPLY, 1953-1955

(Million Rs)

	Dec. 1952 to Dec. 1953	Dec. 1953 to Dec. 1954	1955 (Jan-Sept)
Foreign banking assets . .	−132.6	+341.0	+156.5
Domestic private sector . .	+ 12.5	+ 1.4	+ 6.6
Domestic government sector .	+ 46.6	−211.6	−111.4
Net change in money supply[a]	− 69.0	+130.3	+ 54.7

Source: Central Bank of Ceylon Bulletin.
Note: Signs indicate effect on money supply.
a. Differences in total are due to certain adjustments.

Prices remained rather stable in 1954. In the first nine months of 1955 a slightly downward trend in the cost of living was observed.[6]

CONCLUSION

The economic position of Ceylon has been strengthened substantially since 1954, owing largely to the rise in tea prices and export proceeds, the continued fall in food imports on account of increased domestic production, and the achievement of budgetary balance. However, the improvement in export earnings cannot be regarded as permanent and depends largely on the world economic situation.

The Programme of Investment in the public sector aims at achieving economic stability primarily through increased food production, for which a doubling of the per hectare yield of paddy, if attained, should assure the country of self-sufficiency in rice, the staple food. In an under-developed country where the supply of entrepreneurs is limited, government financial and technical assistance tends to be crucial to the building up of industries in the private sector. The actual operation of the newly established Development Finance Corporation and the Institute of Scientific and Industrial Research will affect the progress of industrialization, as will the provision of transport, power and other basic facilities contemplated in the Programme of Investment.

The pressure of population on land in Ceylon has increased from 517 persons per square kilometre of cultivated land in 1946 to 530 persons per square kilometre in 1954. The problem of under-employment and seasonal unemployment in the rural areas is expected to be partly alleviated by means of irrigation, rural development and colonization schemes, but the problem of unemployment in urban areas is likely to become more acute unless development in both large and small-scale industries proceeds on a broader basis than is envisaged in the programme.

1. Adjusted for a deferred receipt of cash on account of food transactions.
2. The net domestic debt (allowing for sinking funds) decreased from Rs 826 million in September 1954 to Rs 754 million in September 1955.
3. Of which Rs 32 million is expected to be met by borrowing from the IBRD.
4. A number of important changes recommended by the Commission were not implemented; these included slight increases in import duties on cotton manufactures, a general sales tax and higher irrigation rates to cover the cost of irrigation works.
5. The main changes in taxation are as follows: (1) measures designed to encourage savings and investment: introduction of tax relief in respect of the payment of life insurance premia and contributions to provident funds; increase in the initial allowances in respect of plant, machinery and industrial buildings; reduction of import duty on capital goods and raw materials; higher import duties for the protection of domestic manufactures; (2) measures to improve tax administration; changes involving mostly adjustments in relation to allowances and methods of assessment with more severe penalties for income-tax evasion; (3) measures to raise revenue: increases in the import duty on liquor and refrigerators and in the excise on liquor, estate duties, licence duties on motor vehicles and lotteries tax; introduction of the transfer tax on second-hand vehicles, etc.
6. The Colombo cost of living index stood at 101.6 in 1953, 101.1 in 1954 and 100.3 in the first nine months of 1955.

Chapter 7. CHINA

Section I: Taiwan

The inflationary pressure arising from large defence expenditure and budgetary deficit during the period under review was in a large measure offset by United States aid imports, as well as by increased production made possible mainly through local efforts in developing industry and agriculture and through the import of capital equipment and raw materials under government procurement and the US aid programme.

The considerable decline in 1954 of export earnings from two major commodities, sugar and rice, made it necessary for the government to reduce the exchange allocations for private import after September 1954, which in turn contributed to the upward movement of prices in the spring of 1955.

From a long-run standpoint, the rapid increase of population for an agricultural economy like Taiwan's is serious, in view of the fairly full utilization of the existing land resources. Industrialization showed promise of providing an outlet for the surplus population during 1952 and 1953, when the index of industrial production rose annually by about 30 per cent. The latter index rose more slowly in 1954 and early 1955, however, owing to the full utilization of existing capacity and the increasing difficulty of installing new capacity. In a review of the current situation the government states that "the problem of finding new employment opportunities remained very serious," and that "the government relies on the economic development freely supported by the people for creating new employment opportunities for the increase of the population."[1]

POPULATION GROWTH, ECONOMIC DEVELOPMENT AND UNITED STATES AID

Taiwan is officially reported to have had a population of 8,749,000 at the end of 1954 and in addition, an armed force of 650,000 and an indeterminate number of persons falling under the "unreported" category.[2] The population in early 1952 was placed at 9.2 million by the United States Mutual Security Agency Mission to China,[3] and at 9.5-10 million in a report to the Joint Commission on Rural Reconstruction prepared in May 1953.[4] If the considerable omissions under the present system of household registration[5] are taken into account, Taiwan has probably an all-inclusive population of 9.5 million. With an area of 35,961 square kilometres, of which only 8,740 square kilometres or 24 per cent is cultivated,[6] Taiwan has a population density of 264 persons per square kilometre of land or 1,086 persons per square kilometre of cultivated land, which is the highest in the ECAFE region except for Japan and South Korea.

Aside from its very high density, Taiwan's population is characterized by a very high rate of natural increase. While the government gave for 1954 a crude birth rate of 43.84 per thousand and a crude death rate of 8.02 per thousand, or a rate of natural increase of 35.82 per thousand,[7] the actual rate of natural increase may be nearer to 3 per cent per annum, because of the possible under-estimation of the death rate, especially of the infant mortality rate.[8] This high rate of natural increase, which has been attributed to the persistence of the family system and the prevalence of the rice economy requiring large manpower during seasons of peak activity,[9] has resulted in a smaller proportion of population in the working ages between 15 and 64—56.2 per cent in 1950 as compared with 59.6 per cent in Japan, 64.6 per cent in the United States, and 73.6 per cent in Sweden.[10]

Since 1945, immigration from the mainland has become another important source of population growth. Nearly all former Japanese residents were repatriated; the transfer of administration was followed by the arrival of moderate numbers of Chinese during the early post-war years, and later by an influx during 1949-1950, on a scale never before equalled, of people from the mainland. During 1947-53 there was registered a total net immigration of 610,649 persons from the mainland, of whom 443,738 or 72 per cent were reported to have entered during the two years 1949-50.[11] This total would have been more than doubled if the officially estimated armed forces of 650,000 and other "unreported" persons had been included.

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1. "A review of the economic situation of the Republic of China, July 1954-June 1955" (hereafter referred to simply as "A Review") prepared for ECAFE by the National Government of the Republic of China, August 1955.
2. "A Review", *op cit.*; Directorate-General of Budgets, Accounts and Statistics, Executive Yuan, *Statistical Abstract of the Republic of China, 1955*, pp. 30-31. The "unreported" category comprises "immigrants and emigrants within the province (of Taiwan) not registered and the aliens naturalized".
3. Norman Wycoff, "An outline of demographic conditions and prospects in Taiwan", in *Chinese-American Economic Co-operation* (published by the MSA Mission to China, Taipei, Taiwan), Vol. I, No. 5, May 1952, p. 43.
4. Barclay, George W.: *A Report on Taiwan's Population to the Joint Commission on Rural Reconstruction* (Office of Population Research, Princeton University, March 1954), p. 42.
5. The present household registration system classifies Taiwan's population into two categories: (1) Taiwanese and (2) others. Only a minority in the latter category are included. Thus, according to Barclay, the registered population "does not encompass the entire population, but only an indeterminate portion, perhaps four-fifths of the total". (*op.cit.*, p. 38.)
6. The total arable land is estimated by the Economic Stabiliation Board at 8,900 sq.km., of which over 97 per cent is already cultivated.
7. "A Review", *op. cit.*, appendix A on "Population of Taiwan Province, 1950-54".
8. About two-thirds of actual infant deaths are estimated to have been unreported. (See Barclay, *op. cit.*, pp. 22-29, 70-74.) However, according to the present household registration system of Taiwan, the birth or death of an infant must be reported to the government.
9. "If small-scale household farms are subject to two or three peak periods of work each year, shortages of labour tend to appear seasonally. When the seasons coincide for all or many farms, the shortages become general and cannot be met by hiring workers, since other available manpower is also in great demand. To maintain a household large enough to cope satisfactorily with this problem, the goal cherished by most peasant families is usually to bear the burden of supporting members who may not be fully occupied for the rest of the year." (George W. Barclay, *Colonial Development and Population in Taiwan*, Princeton University Press, Princeton, New Jersey, 1954, p. 54, footnote 16.)
10. Barclay, *A Report on Taiwan's Population*, *op. cit.*, pp. 48, 50. For Taiwan the 1950 figures are computed from the registered population.
11. *Statistical Abstract of the Republic of China, 1955.*

This rapid population growth, caused generally by the high rate of natural increase but aggravated by the post-war influx of mainland immigrants, imposes a severe strain on the existing land resources of the province, which are fairly fully utilized.

In the face of the serious economic strains entailed, the government has undertaken, with US Aid, to implement the Four-Year (1953-56) Plan for Economic Development, with the objective of raising both agricultural and industrial production, especially the latter.[1]

The Four-Year Plan, as outlined in the last *Survey*, anticipates a 23 per cent increase in the combined value of agricultural and industrial production from 1953 to 1956.[2] The increase from 1952 to 1953 is estimated at 13 per cent.[3] The total proposed rate of increase in agricultural and industrial production is thus 39 per cent for the four-year period.

The Four-Year Plan calls for a capital investment of NT$4,811 million plus US$159 million, or a total capital investment of NT$8,753 million if the dollar investment be converted at the official rate of $1=NT$24.78.[4] This estimate of the capital investment required during the four-year period to implement the proposed 39 per cent increase in the value of agricultural and industrial production is modest, as it would appear to indicate an incremental gross capital/output ratio of 1.57.[5] However, in Taiwan, as contrasted with other developing areas, the basic services such as power and transport were already considerably developed during the Japanese occupation. Moreover, much of the capital investment for industry is for the expansion of existing plants, which generally requires less capital outlay than does the erection of new plants, and 27 per cent of the total is allocated to agriculture, for which the capital/output ratio is usually much lower than for industry.

The Economic Stabilization Board has recently made an estimate of the sources of capital funds for the proposed industrial investment under the Four-Year Plan.[6] According to this estimate, of a total industrial investment under the Four-Year Plan equivalent to NT$6,257 million, domestic capital accounts for only 18 per cent, while 82 per cent is to come from abroad—mainly from US aid (US$135 million or NT$3,345 million under aid and NT$1,410 million under counterpart fund), but also some from foreign and overseas Chinese investment (US$14 million or NT$347 million).[7]

Large-scale US aid to Taiwan began with the fiscal year 1950 (1 July 1949 to 30 June 1950). During the fiscal years 1951-1955, the amounts of US aid annually authorized by the United States Congress were approximately $93 million, $86 million, $106 million, $108 million and $138 million. For FY 1956, there is however a reduction to $102 million.

During the four-year period (FY 1951-54) a break-down of the proposed distribution by uses shows that while so-called direct military aid[8] claimed over one-fifth of the total US aid, the other four-fifths were used to fill the gap in payments and budgetary deficits through the import of civilian and military-support goods, and to assist development. In addition to the dollar development aid, a counterpart fund[9] (in local currency) was built up through the sale of the commodities imported. A rough classification of these commodity imports during these years indicates that producer goods occupied 61 per cent, as compared with 39 per cent for consumer goods. The proportion for producer goods in total aid imports tended, however, to decline from 71 per cent in 1950 to 68 per cent in 1951, 66 per cent in 1952 and 55-56 per cent in 1953-54.

PRODUCTION

Agricultural production

With the post-war rehabilitation and development of industry, agricultural (including forestry and fishery) production occupied a steadily declining share in total net domestic product; it fell from 42.7 per cent in 1946 to 33.1 per cent in 1954, with a corresponding rise in the share of industrial production from 14.4 per cent to 26.4 per cent during the same period.[10] The value of agricultural production also rose much less rapidly during the first two years (1953-54) of the Four-Year Plan than the value of industrial production, the rate being 22 per cent for the former as against 49 per cent for the latter.

The share of crop production in total agricultural production reached 68.7 per cent in 1954, and is estimated to rise slightly to 69.4 per cent in 1955.[11] The main crops include rice and sweet potato for domestic food consumption, and sugar cane, fruits (bananas and pineapples) and tea for export. Limited quantities of wheat and raw cotton are produced for processing by domestic industries which, how-

1. While the value of industrial production is planned to rise from NT$5,556 million in 1952 to NT$9,426 million in 1956, or by 70 per cent, the value of agricultural production is planned to rise from NT$8,720 million to NT$10,429 million during the same period, or by 20 per cent.
2. Yin, K. Y. (Minister of Economic Affairs), *Problems of economic construction in Taiwan* (in Chinese), (Taipei, 6 April 1955) appendix table 2.
3. *National production and national income in Taiwan* (in Chinese), (compiled by the Directorate-General of Budgets, Accounts and Statistics, Executive Yuan, June 1955) p. 175, gives a 13 per cent rise in national income in 1952. For 1952 the value of industrial production is given at NT$5,556 million (*Industry of Free China*, July 1955) and the value of agricultural production is estimated at NT$8,720 million (1953 estimate of NT$9,556 million by the Plan deflated by the 1953 rate of increase as given in the index of agricultural production compiled by the Ministry of Economic Affairs). The 1953 estimate of the value of agricultural and industrial production in the Plan, NT$16,152 million, represents also a 13 per cent rise when compared with this 1952 total industrial and agricultural production of NT$14,276 million.
4. For calculation of the rate see *infra*, section on "Trade and payments".
5. Since the value of agricultural and industrial production is estimated at NT$19,855 million in 1956, and at NT$14,276 million in 1952, the increase in the annual value of agricultural and industrial production from 1952 to 1956 is estimated at NT$5,579 million.
6. On the basis of actual performance for the first year and a half, and of an estimate for the last two and a half years. ("An estimation of the sources of capital fund required for the implementation of the Four-Year Industrial Plan", 1955, mimeographed.)
7. In a paper on "Capital formation in Taiwan, 1951-53" submitted to the ECAFE Working Party on Economic Development and Planning convened in Bangkok early in November 1955, US aid is estimated by Professor Mo-huan Hsing of Taiwan University to have contributed 54 per cent of total net capital formation in 1952 and 68 per cent in 1953, at constant 1951 prices.
8. Direct military aid here refers to "common use" items delivered to the Chinese armed forces, but does not include "hardware" items such as warships, tanks and airplanes, which were in a separate programme.
9. Under the bilateral agreement between the United States and the Chinese Government the Foreign Operations Administration or FOA (now International Co-operation Administration or ICA) has the right to require deposits, called counterpart, in local currency up to the US dollar value of all grant aid furnished. However, because of its serious budgetary deficit, the Chinese Government in fact has been required to deposit into the counterpart account only the local currency obtained from the import and sale of FOA-financed non-military commodities. Exceptions or deferrals are granted even for some non-military goods. In calculating the amount of local currency which must be deposited into the account, the US dollar cost of the imported commodity is multiplied by the highest effective rate of exchange legally in effect at the time the aid recipient pays for the aid commodity. Deposits into the counterpart account are made periodically at the request of the Comptroller of the FOA Mission to China.
10. *National production and national income in Taiwan*, *op cit.*, p. 175.
11. Shen, T.H., *The Economic Significance of Taiwan's Four-year Agricultural Development Plan* (Joint Commission on Rural Reconstruction, 1 May 1955; mimeographed, in Chinese).

ever, have to depend upon imported materials as the major source of supply. By stepping up local production, Taiwan has since 1953 become nearly self-sufficient in jute for making gunny bags. Taiwan has always produced sufficient quantity of tobacco leaves for local needs, but small import of high-grade tobacco leaves is still necessary for mixing with local leaves to make high-grade cigarettes.

Production in 1955 is planned to rise above the 1954 level for all crops except banana for which the export prospect is limited. The over-all rate of increase in value is estimated at 5.7 per cent. The production of minor crops such as wheat, peanut, soybean, jute and tobacco is expected to be raised more rapidly in order to reduce imports and conserve exchange.

In the first half of 1955, *sugar* production rose to 615,000 tons, or 17 per cent above the corresponding level reached a year before.[1] Sugar-cane farmers were formerly under the impression that the price of sugar would always be higher than or at least equal to that of rice, as it was in some years in the past. Prior to 1953, the Taiwan Provincial Government did announce a guaranteed collection price at parity with rice to ensure adequate supply of sugar cane required for refining. Owing to the slump in the world sugar price, however, the government had to pay out heavy subsidies in 1953, partly in two-year maturity bonds in order to avoid inflation. Thenceforth, the guaranteed collection price of sugar was dissociated from the rice price, and was set at NT$1,400 per ton for the 1953/54 crop, raised to NT$1,800 for the 1954/55 crop, and to NT$2,000 and NT$2,150 for 1955/56 and 1956/57 crops respectively. As the cane growers are allowed to retain up to 20 per cent of the total for their own use and domestic sales and the unit yield has improved, growers still maintain a fair return. The 1954/55 crop unit yield reached an all-time high of 10.49 tons per hectare, surpassing the pre-war record of 1932 by 0.25 ton. This record was attained through favourable weather, use of the new variety NCO:310 (first introduced to Taiwan in 1946 from Natal, South Africa, to shorten the growing period from 16 to 12 months), and extension of cultivation by ratooning.[2]

Rice production reached the record of 1.7 million tons in 1954, as compared with the pre-war (1938) peak of 1.4 million tons. In 1955, because of spring drought in the northern and central parts of the island, the first crop of rice showed some decline, to 695,000 tons, which however is expected to be partly offset by an increase of 21,000 tons above the target of 944,300 tons for the second crop.[3] This spring drought, however, has helped the government to reach an early decision to undertaken the construction of the Shihmen dam for irrigation and other purposes.

The 1954 yield of paddy, 2,185 kg per hectare, was still below the pre-war (1938) peak of 2,242 kg, owing to the extension of cultivation to less fertile lands and lower application per hectare of chemical fertilizers (623 kg in 1938 but 580 kg in 1954). However, the improvement in irrigation (especially the system of rotational irrigation during the period of drought), the extension of the "ponlai" variety to 52 per cent of the area under rice, government assistance to cultivators in building about 10,000 cement drying grounds, and effective pest control all contributed to the increased rice production in 1954.[4]

Industrial production and problems

In post-war years there has been a rapid rehabilitation and development of industries in Taiwan, owing to the inflow of United States aid, and of capital equipment and technical personnel from the mainland. During the period of rehabilitation (1946-1952), the index of industrial production rose by 51 per cent in 1949,[5] 10 per cent in 1950, 9 per cent in 1951, and 35 per cent in 1952. With the implementation of the Four-Year Plan it went up further by 31 per cent in 1953, by 5 per cent in 1954, and by 8 per cent in the first half of 1955 compared to the corresponding period a year earlier.

The 1953 and 1954 targets for industrial production under the Four-Year Plan were in most cases reached and, as a result, the 1956 target set in June 1954 by the Industrial Development Commission is taken by the government as the 1955 target.[6] Indeed, production in 1954 exceeded the 1956 target figures for several major industries: cotton yarn by 5 per cent, cotton fabrics by 67 per cent, sugar by 7 per cent, salt by 15 per cent, wine by 19 per cent, and cigarettes by 3 per cent. All these are consumer goods industries,[7] sugar and salt being mainly for export. Other industries, such as hydrochloric acid, petrol, fuel oil, exceeded the 1956 target figures by about 5 per cent.

Taiwan industries are faced with a number of problems associated with shortage of capital, import of raw materials, shortage of power during the drought season and expansion of transport facilities. The government policy for the promotion of private enterprises represents a new departure and will affect the industrial structure of Taiwan.

Shortage of capital

External capital requirements are met mainly by United States aid, and only to a very limited extent by foreign and overseas-Chinese investment. In order to promote foreign and overseas-Chinese investment in industrial development, the government promulgated statutes in the second half of 1954 to permit remittance of (1) annual profits up to an amount equivalent to 15 per cent of the capital, and (2) original capital, after two years, at an annual rate not to exceed 15 per cent of the original capital.[8] It also accords the same treatment to foreign enterprises as is accorded to similar enterprises operated by Chinese nationals. However, the possibility of requisition or expropriation after 10 years from the date of establishment of joint Chinese-foreign enterprises with 51 per cent or more of foreign capital tends to debar foreign investors from active participation in joint ventures. It is estimated that total investment from foreign and overseas-

1. The area under sugar-cane fell greatly from 154,335 hectares in 1952 to 76,374 hectares in 1955, but yield per hectare was improved.
2. "A Review", *op. cit.*, p. 3. Ratooning is the method of growing a shoot from the root of the sugar cane, which helps to shorten the growing period and improve the yield per hectare per month.
3. *Central Daily*, 2 August and 8 October 1955.
4. "A Review", *op. cit.*, pp. 2-3.
5. The rapid rise in industrial production in 1949 may be attributed primarily to the influx of capital equipment and technical personnel from the mainland.
6. For 1956 target see *The Industrial Programme under the Four-Year Economic Development Plan* (Industrial Development Commission, Economic Stabilization Board, Executive Yuan, Taipeh, 30 June 1954); for 1955 target see "The 1955 industrial production target" (mimeographed) supplied to ECAFE by the Economic Stabilization Board.
7. Taiwan's industrial products are mainly consumer goods rather than producer goods. Of a total value of industrial production of NT$8,602 million in 1954, a rough classification shows that consumer goods contributed almost three-fourths, and producer goods one-fourth. (*Industry of Free China*, July 1955.)
8. The Statute for Investment by Foreign Nationals, promulgated on 14 July 1954, was extended to apply to investment by overseas Chinese nationals on 1 September 1954.

Chinese investors have thus far added up to less than US$10 million.[1]

Reinvestments of profits by public enterprises are estimated to reach NT$100-150 million per year, and new investments out of private savings about NT$250 million.[2] During the years 1949-53, the amount of capital investment out of loans from the Bank of Taiwan and profits for the enterprises under the Ministry of Economic Affairs, totalled NT$1,137 million.[3] From 1954 onwards, the Bank of Taiwan has refrained from extending such loans. All capital investment for government enterprises either has to be derived from approved loans extended by US aid and private foreign sources, or requires special permission from the government for withholding the distribution of profits.[4]

While a part of the counterpart fund has been used to finance the government's budgetary deficit, a total sum of NT$954 has been used as loans to finance local currency requirements or development projects.[5] On 4 August 1955 a bilateral agreement was signed with the United States Government by which local currency proceeds from the sale of US$20 million worth of US surplus agricultural commodities are used for making loans for the development of Taiwan industries, especially small industries. After three years, loans are repayable over a period of 40 years and bear an annual interest of 4 per cent.

Government appropriations for development have been limited; according to the estimate of FOA, the total funds appropriated during 1950-53 by both the National and Provincial Governments for economic development amounted to only NT$687 million, of which very little was used for the construction of plants or purchase of equipment.[6] Owing to other urgent budgetary requirements, the government has not been able to earmark any portion of revenues for capital investment under the Four-Year Plan.[7]

The shortage of domestic capital has given rise to a high-interest burden on industrial and other enterprises, which is heavier for private than for public enterprises. In August 1955, for example, while public enterprises paid a monthly interest of 0.99 per cent to the Bank of Taiwan, private enterprises had to pay a monthly rate of 1.8 per cent to the three commercial banks, whose business operations are related mainly to the financing of trade rather than industry, and monthly rates of 3 per cent for secured and 4 per cent for unsecured loans from private money-lenders.[8] With a view to encouraging private deposits, the Bank of Taiwan and other banks have since 1952 introduced a deposit system with preferential interest rate, under which the monthly rate of interest is 1 per cent for 1-month deposits, 1.1 per cent for 3-month deposits, 1.3 per cent for 6-month deposits and 1.6 per cent for 1-year deposits.

1. "A Review", *op. cit.*, p. 16.
2. "An estimation of the sources of capital fund", *op. cit.*
3. By the end of 1953, Bank of Taiwan loans to all productive enterprises of the government for all purposes amounted to NT$808 million. (*Taiwan Financial Statistics Monthly*, May 1955.)
4. "A Review", *op cit.*, pp. 13-14.
5. Private industries have benefited by three low-interest (6 per cent per annum) loans totalling NT$53 million up to the end of June 1955, extended by the US aid counterpart fund. These loans are handled through the three commercial banks which are required to put up 25 per cent additional loans from their own resources to the same approved applicants at their current rate of interest (about 2 per cent monthly) and to charge 1 per cent extra interest (per annum) for the counterpart fund loan handled. ("A Review", *op. cit.*, p. 14).
6. "An estimation of the sources of capital fund", *op. cit.*, p. 3.
7. "A Review", *op. cit.*, p. 16.
8. *Ibid*, appendix table 5 on "Interest rates in recent years".

Import of raw materials

The extent of the need for import of industrial materials in Taiwan is shown in a recent government study.[9] According to that study, of the 60 items of industrial materials required for the implementation of the industrial projects under the Four-Year Plan, only 18 can be wholly supplied locally. The 9 items whose annual import value is estimated to exceed US$1 million include, in the order of importance, the following, for which the estimated annual average import value required is indicated in million dollars: raw cotton 17.9, crude oil 10.1, wool 3.0, iron and steel 2.9, tallow 2.0, leather 1.5, scrap iron 1.3, rubber 1.2, phosphate rock 1.1. Together, the 9 items call for an average annual foreign-exchange outlay of US$41 million, or US$164 million over the Plan period, which constitutes 80 per cent of the total foreign-exchange outlay of US$202 million for the 42 items of imports taken together.

Locally available materials can be obtained freely from the market. These include coal, sulphur, soda ash and sodium bicarbonate which used to be purchased by government agencies at fixed prices and resold to end-users in such quantities as were determined in accordance with their reported requirements, as well as carbon black which used to be allotted by the Taiwan Supply Bureau and sold through the Chinese Petroleum Corporation. Industriial salt is handled by the Salt Administration.

Power and transport facilities

During the post-war period 1946-54, while industrial production showed an eight-fold rise, power generation rose by only 3.8 times. The inadequacy of power supply for the island[10] is aggravated by the dependence upon hydro-electric power, which, while supplying 87 per cent of the total power generated in 1954, fluctuates considerably—the April 1955 production was only 62 per cent of the August 1954 production. As a result, whenever there has been a drought the government has had to take steps to restrict the use of electricity,[11] first in March 1949, then in the winter of 1951 and spring of 1952, again in September 1954, and finally in March 1955.

Under the Five-Year Power Development Plan it is planned to raise the installed capacity of 330,000 kW at the end of 1952 to 630,000 kW by the end of 1957,[12] an increase of 90 per cent. The share of hydro-power capacity in total generating capacity will be reduced from 83 per cent in 1952 to 71 per cent in 1956, in order to diminish the fluctuating effect of hydro-power supply on industrial production.

Rapid industrial development calls for an expansion of transport facilities, especially railways and shipping. Taiwan's railways, concentrated mainly on the west coast, are operated by three government enterprises, namely, Taiwan Railway Administration (TRA), Taiwan Sugar Corporation (TSC) and Taiwan Provincial Forestry Administration (TPFA). The TRA lines, with 775 kilometres on the west coast and 175

9. "Industrial materials in Taiwan", compiled by the Industrial Development Commission, Taipei, 30 June 1954, pp. 124. (Mimeographed).
10. *Ibid*, p. 1-7, However, Taiwan's annual per capita power output ranked only after that Japan in the ECAFE region. It rose from 77 kWh in 1946 to 161 kWh in 1952 and 193 kWh in the first half of 1955.
11. In 1953 industrial demand for power constituted 77 per cent of total power consumption (chemical fertilizers 18.8 per cent, aluminium refining 12.7 per cent, others 45.5 per cent) and household consumption 23 per cent.
12. 180,000 kW capacity is stated by the Acting Minister of Economic Affairs to have been installed by October 1955 (*Central Daily*, 8 October 1955).

kilometres on the east coast, are main lines serving the general public, while the TSC (2,456 kilometres) and TPFA (309 kilometres) lines are feeder lines respectively for sugar-cane and timber transport, although 631 kilometres of TSC and 170 kilometres of TPFA lines also provide passenger traffic to the general public. TRA's East Coast, TSC and TPFA lines all have a narrow gauge of 0.762 metre, while TRA's West Coast Line has a broad gauge of 1.067 metres.

Freight traffic in 1956 for TRA's West Coast Line, the most important line in Taiwan, is estimated to be 38 per cent above the 1952 level, owing to an anticipated rise in local traffic based on increased domestic production of fertilizers and installation of new steam power plants. It is estimated that passenger traffic in 1956 on this line will be 34 per cent greater than in 1952.

Shipping tonnage in Taiwan is inadequate to meet existing requirements. According to an official survey in October 1955 the 249,000 gross tons of ships in operation consisted of 27 ships with 135,000 gross tons for ocean going, 32 ships with 87,000 gross tons for near seas, and 27 ships with 27,000 gross tons for coastal trade. Most of these ships are over-aged, with the exception of 1 Victory, 7 Liberties, and 8 Cimavi's.

With the estimated 24 per cent rise in Taiwan's tonnage of imports and exports from 2.92 million tons in 1954 to 3.64 million tons in 1956, it is estimated that approximately 300,000 g.t. of operational tonnage will be required, for which it is proposed (1) to increase the efficient operational dry-cargo tonnage to 163,000 g.t. by the addition of 96,300 g.t. of both coastal and ocean-going freighters and (2) to replace the 3 over-age ocean-going tankers by 2 new ones with approximately 38,000 g.t., so as to raise the total tanker tonnage to 49,000 g.t. This plan is to be implemented during 1954-57, through (1) construction of 15 vessels of 90,500 g.t. by the Taiwan Ship-building Corporation, and (2) purchase from abroad of 6 vessels with 43,800 g.t.[1]

At the end of June 1955 the merchant fleet was reduced by further scrapping to 82 vessels with a total gross tonnage of 250,000. Twenty-three of the vessels were ocean-going, 2.1 million tons of freight were carried by the fleet in 1954, and the load for 1955 is estimated to be about 2.2 million tons.[2]

In Keelung and Kaohsiung, two main ports in Taiwan provided with modern cargo handling equipment, cargo handling efficiency has been steadily improved during the last four years through a 60-70 per cent reduction in the average turn-around time of ships to less than two days. For completion in 1955 are a 10,000-ton grain elevator equipped with handling machinery, a special cargo pier providing 20,000 square metres of water area and a berth for 20,000-ton class vessels in Keelung, and a 280-meter deep water pier and a new 6,000-ton salt shed with conveyors and dredging work to permit the entrance of vessels of 32 feet draft at Kaohsiung.

At the end of June 1955 there were 15,680 kilometres of roads—1,460 kilometres provincial, 2,820 kilometres county, 10,520 kilometres rural, and 880 kilometres city roads. Of these 1,400 kilometres were of bituminous and concrete pavement while the balance were gravel surfaced. Major development work accomplished includes the 302-kilometres bituminous pavement of the north-south trunk line on the west coast linking up many populous cities and towns of economic importance.

At the end of June 1955 there were 2,320 buses, 4,560 trucks and 4,120 passenger cars. Regular bus services were maintained on 1,830 kilometres of trunk lines by the Provincial Highway Bureau, and on 5,340 kilometres of county and rural roads by 17 private bus companies. The passenger traffic in 1954 rose by 31 per cent over 1953; in the first half of 1955 it rose by 28 per cent over the corresponding period in 1954. 150 diesel buses were put into operation in 1955 to replace buses with gasoline engines. Freight services were maintained by 452 truck operators all over the Island. Although Taiwan has its own refineries to produce gasoline and other refined petroleum products from imported crude oil, the rapid increase in crude oil consumption in recent years has caused the government to adopt some measures of restriction on gasoline purchase and on issuing of new vehicle licenses starting in August 1955.

Promotion of private enterprises

Over three-fifths of the value of industrial production is contributed by the public sector, following some decline in this share from 66 per cent in 1951 to 60 per cent in May 1955.[3]

Public enterprises in Taiwan are mostly former Japanese enterprises taken over by the government after 1945, but a few were transferred from the mainland during 1949. Of the 42 public enterprises operated independently by the Central or Provincial Government or jointly by the two governments at the end of 1953, 24 were in industry, mining, and agriculture, and 18 in trade, finance and others. As a result, many of the major industries in Taiwan today are government monopolies, including public utilities (power, water), chemical fertilizers, sugar, salt, wine, aluminium, crude petroleum and petroleum products. On the other hand, private enterprises dominate in coal, iron, flour, edible oil, cotton textiles, rubber products, soap and timber.[4]

A beginning is being made in the promotion of private enterprises by the transfer of four industrial enterprises to private ownership and operation, in connexion with the implementation of the 1953 "Land-to-the-tiller" programme. Under this programme, landowners, in selling their land above the retention limit of three hectares of medium-grade paddy field to the government, will receive payment for 30 per cent of the sale price in the form of stocks of the four government enterprises—Taiwan Pulp and Paper Corporation, Taiwan Industrial and Mining Corporation, Taiwan Agricultural and Forestry Development Corporation, and Taiwan Cement Corporation.

Following the promulgation of the "Regulations governing the transfer of public enterprises to private enterprises" on 22 January 1953, the four enterprises, whose net worth was revaluated by a government evaluation board in late 1952 and

1. *The Industrial Programme*, *op. cit.*
2. "A Review", *op. cit.*, p. 9.
3. *Industry of Free China*, August 1955, p. 50.
4. *Recent Statistics on Public Enterprises in Taiwan* (Directorate of Statistics, Directorate-General of Budgets, Accounts and Statistics, Taipei, 1954), pp. 136-138.

early 1953, issued through the Land Bank to the 100,000 former landowners, from March to September 1954, stock shares of NT$10 par vaue amounting to NT$660 million. Formal transfer took place when the first shareholders' meeting was convened, on 23 October 1954 for the Taiwan Cement Corporation, on 15 November 1954 for the Taiwan Pulp and Paper Corporation, on 10 March 1955 for the Taiwan Agricultural and Forestry Development Corporation, and on 16 March for the Taiwan Industrial and Mining Corporation. While cement and paper corporations, producing single products, have been maintained intact under private operation since the transfer, the 23 units producing tea, pineapple and fishery products (including refrigeration plants) and livestock farms under the Taiwan Agricultural and Forestry Development Corporation and the 37 units producing cotton and silk textiles, machinery, bricks, soap, paints, oxygen etc. under the Taiwan Industrial and Mining Corporation are being sold individually to private shareholders as independent enterprises.[1]

TRADE AND PAYMENTS

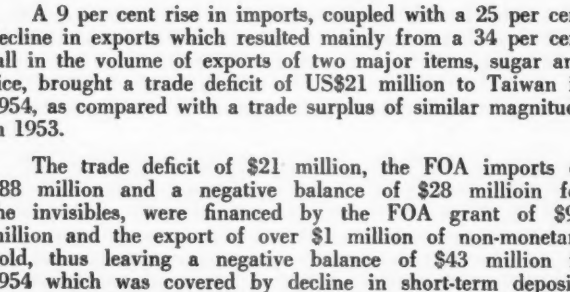
A 9 per cent rise in imports, coupled with a 25 per cent decline in exports which resulted mainly from a 34 per cent fall in the volume of exports of two major items, sugar and rice, brought a trade deficit of US$21 million to Taiwan in 1954, as compared with a trade surplus of similar magnitude in 1953.

The trade deficit of $21 million, the FOA imports of $88 million and a negative balance of $28 millioin for the invisibles, were financed by the FOA grant of $93 million and the export of over $1 million of non-monetary gold, thus leaving a negative balance of $43 million in 1954 which was covered by decline in short-term deposits abroad ($25.51 million), unpaid balance from bilateral trade with Japan and France (respectively $8.85 million and $0.83 million), direct investment (including imports with self-provided exchange) ($6.8 million), etc.

In 1955, however, the monthly value of imports fell by 22 per cent during the first half of the year, while the monthly value of exports rose by 6 per cent, thus bringing a monthly trade surplus of $3.3 million.[2] These changes were attributable to the following factors and steps taken to improve the trade and payments situation.

Chart 9

CHINA: TOTAL VALUE OF IMPORTS AND EXPORTS IN TAIWAN



1. Chien, C.T.: "The transfer of public enterprises to private ownership in Taiwan". (Economic Stabilization Board, August 1955) (Mimeographed).
2. Based on Bank of Taiwan returns on foreign exchange transactions. According to Chinese News Service, 1 November 1955, during the first nine months of 1955, imports reached only $59.3 million while exports rose to $99.6 million, thus resulting in an export surplus of $40.3 million.

Increase in sugar quota

Under the International Sugar Agreement, effective from 1954 to 1958, the export quota of 600,000 tons assigned to the Republic of China was reduced by 20 per cent to 480,000 tons in 1954, owing to excess of world production over consumption; but with the emergence of the USSR and some other countries of eastern Europe as buyers in the world market and the consequent lift in prices, 1955 quotas for the Republic of China were increased in April and again in June, to 575,416 tons. Sugar export reached 483,000 tons during the first nine months of 1955[3] as compared with an estimated production of 733,000 tons. In November the Republic of China proposed to withdraw its membership from the International Sugar Council.

New tariff policy

On 15 January 1955 was promulgated a new import tariff, which abolished the conventional tariff[4] with its most-favoured-nation clause, and introduced: (1) protection to newly-established industries in Taiwan (e.g., tariff rates were raised on cotton textile imports from 20-30 per cent to 40 per cent, on hydrochloric acid from 80 per cent to 100 per cent, on bleaching powder from 40 per cent to 80 per cent, on calcium chloride from 25 per cent to 50 per cent, on caustic soda from 25 per cent to 35 per cent); (2) lower tariff rates on imports of industrial raw materials (rates on ores of all kinds were reduced from 5-7.5 per cent to 5 per cent, on galvanised iron from 22.5-30 per cent to 20 per cent, on glycerine for industrial use from 25 per cent to 17.5 per cent) and on essential commodities; and (3) higher tariff rates on luxury and semi-luxury imports (on cocoa and coffee, rates went up from 50-70 per cent to 100 per cent, on cigarettes and cigars from 100 per cent to 160 per cent).[5]

Tightening in exchange and trade control

Effective 1 March 1955 new exchange and trade regulations were promulgated with a view to promoting exports and restricting imports. The multiple-exchange system was modified through the introduction of an exchange certificate, and was applied to a small portion of total exports and total imports excluding US aid imports. Under the new system exporters in selling their foreign-exchange proceeds to the Bank of Taiwan receive an exchange certificate, in addition to the equivalent local-currency value at the official rate (unchanged at NT$15.55 per US dollar), and importers are required to produce a certificate, in addition to paying the equivalent local-currency value to the Bank of Taiwan (at the official rate of NT$15.65 per US dollar) and the defence surtax of 20 per cent (or NT$3.13). The certificate rate for exports varies with the kind of exports and the degree to which imported raw materials are used; principal exports such as sugar, rice, salt and refined products from crude petroleum, all operated by government enterprises, do not earn any certificate. This partial certificate system gives rise to an official import exchange rate of NT$18.78 plus the certificate rate and a series of official export exchange rates of NT$15.55 plus the varying portion of the certificate rate for different exports excepting sugar, rice, salt and refined products from crude petroleum. Applications for import licences are screened under an import-exchange allocation system.[6] The certificate

3. Chinese News Service, 18 October 1955.
4. Enforced since 21 May 1948 in accordance with the General Agreement on Tariffs and Trade (GATT).
5. *Chin-hsin Daily*, 8 February 1955.
6. A translation of the "Procedure governing application for settlement of foreign exchange" and other relevant regulations may be found in Bank of China, *Bi-monthly Economic Review*, March-April 1955.

rate was fixed on 8 March 1955 at NT$6 per US dollar by a government-appointed committee, with a view to controlling the certificate rate instead of letting it fluctuate freely according to market conditions. The certificate price varied between NT$6 and NT$15 to the US dollar, but was stabilized at around NT$6[1] in early June.

Under the new regulations, the import-allocation system based upon past volume has been abolished. Instead, applications for imports are screened according to a set of criteria related to the degree of scarcity of the foreign currency required, price of the imports, preference for having importers trade in one single category, possession of an exchange certificate, etc. The administration of the new regulations is now placed under the Central Government, instead of the Provincial Government as hitherto, with the Foreign Exchange and Trade Control Commission being given the functions of formulating policies and plans, screening the use of foreign exchange and co-ordinating it with US aid.

An import exchange budget is prepared each year for release at two-month intervals of the import exchange and outward remittances required for purposes other than the following: (1) import of commodities by government agencies, (2) purchase of foreign exchange by public enterprises not entitled to have foreign-exchange certificates at the time of settling foreign exchange for their exports (sugar, rice, salt and refined products from crude petroleum) or by those of a monopolistic nature but having no products for export, (3) import of supplies for specific industrial development projects of the government, and (4) import of essential daily necessities. For the first half of 1955 the actual exchange allocation reached US$21.5 million, as compared with a total commercial and US aid import of $85 million. One-fifth of the actual exchange allocations was used to pay for industrial raw materials, while four-fifths were for general commercial imports. The settlement of foreign exchange in accordance with the import-exchange budget has to be accompanied by an exchange certificate.

Other export-promotion measures

An Export Subsidy Account is maintained with proceeds generated by sales of certain designated high-profit import items handled by the government trading agencies. Under special approval by the Industrial Development Commission, the proceeds in this account are used to subsidize special export items whose sales abroad result in a loss even with the benefits of exchange certificates. The government also arranges credit facilities for the selected export items. As a further step towards export promotion, regulation for rebate of taxes levied on raw materials used in the manufacture of export goods were promulgated in July. Constant attention is paid by the authorities concerned to improving the quality of the export goods, to lowering the cost of production, to finding new markets, and to promoting those industries which do not require imported raw materials for their production.[2]

Taiwan's trade has been mainly with Japan, ECAFE sterling-area countries (particularly Hong Kong and Malaya) and the United States, which together accounted for four-fifths of the total imports and exports in 1954. Japan alone accounted for 50 per cent of Taiwan's exports and 55 per cent of Taiwan's imports.

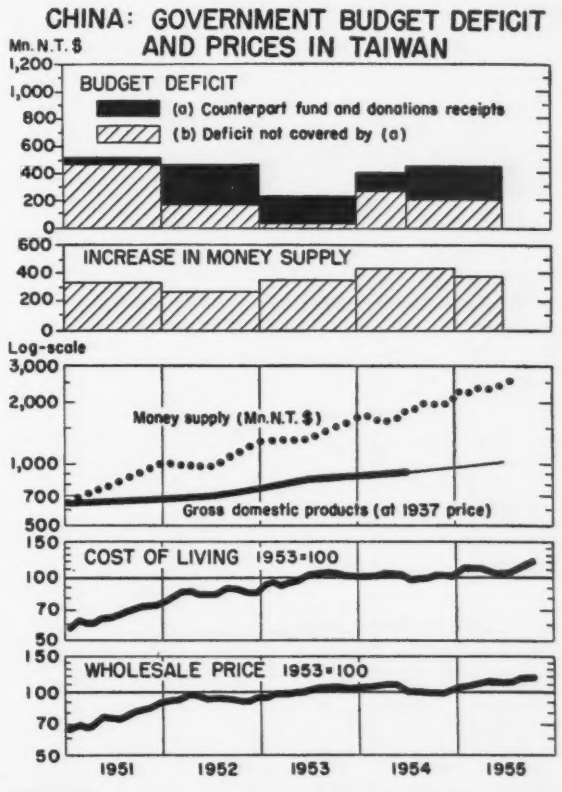
Trade with Japan is conducted according to bilateral agreements. The latest agreement, effective 1 April 1955, raised the target annual value of trade each way from the previous figure of $74.5 milliion (as agreed upon in June 1953) to $94 million, with the same swing account limit fixed at $10 million. The trade agreement with France was extended to another year on 15 April 1955, with an annual trade goal of $10 million each way.

MONETARY AND FISCAL DEVELOPMENTS

Government revenue and expenditure

In Taiwan, there are three budgets—the central, provincial and local. The total estimated expenditure of NT$5,161 million[3] for the three budgets during the fiscal year beginning 1 July 1954 was allocated among the three levels of government in the following proportion: central 55.7 per cent, provincial 18.6 per cent, and local 25.7 per cent. The central budget provides for national defence and the administrative expenses of the national government. The estimated deficit of NT$503 million, or 17.5 per cent of the total estimated net expenditure for the central budget, was to be financed as follows: US aid counterpart fund NT$240 million, subsidy from provincial government NT$148 million, national bonds NT$83 million, and sales of national property NT$31 million.[4]

Chart 10



1. "A review", *op. cit.; Chin-hsin Daily*, 27 June 1955.
2. "Government control of foreign-exchange in relation to economic development", a paper submitted by the Economic Stabilization Board to the ECAFE Working Party on Economic Development and Planning convened in Bangkok in November 1955.
3. This total is inflated by the inclusion of Central Government subsidy to the Provincial Government, and of Provincial Government subsidy to the Local Government.
4. *Stephen Mission Report*, submitted to the National Government in October 1954. The estimated net expenditure in the central budget of NT$2,875 million was however raised to a new total of NT$3,866 million in a recent government report, owing partly to the grant of aid to the provincial government. ("A review", *op. cit.*, appendix G).

The major components of Central Government revenue and expenditure, as well as the methods of financing the deficit for the last four fiscal years,[1] can be gauged from the recently-published accounts.[2] From 1950 to the first half year of 1954 the share of defence in total government expenditure declined from 80 per cent to 66 per cent, thus reducing the proportion of annual budgetary deficit in the total expenditure from 36 per cent to 12 per cent and slowing down the annual rate of rise in prices. The budget estimate for the fiscal year 1954/55 showed however a rise in the share of defence in total expenditure again to over four fifths, with a rise in the deficit to 16 per cent of the total expenditure. The main sources of financing the deficit during the period were US aid counterpart funds and credit and loans from the Bank of Taiwan.

The share of tax revenue in total revenue had shown a steady rise from 57 per cent in 1951 to 94 per cent in the first half of 1954; the situation in the fiscal year 1954/55 seems to have remained unchanged. Major taxes included customs duties, whose declining share in total revenue was offset by the increasing importance of taxes on transactions and consumption, mainly owing to the transfer since 1953 of a part of the monopoly profits from the provincial to the central treasury. Other revenues, chiefly receipts from State enterprises and properties, declined in importance.

The Provincial Government expenditure is largely for economic and social services and subsidy to local goverments, while its revenue is derived mainly from monopoly profits and taxes. Income tax, inheritance tax, stamp duty, defence surtax[3] are divided in varying proportions between the Central and Provincial Governments, while land tax,[4] business tax, etc. are collected by the Provincial Government. The provincial budgetary deficit is financed by aid from the Central Government, contribution from provincial enterprises, and sale of provincial property.

Local governments derive their revenue from deeds tax, house tax, butchery tax, restaurant tax, amusement tax, household tax, business and vehicle licences, etc.; they receive aid from the Provincial Government to finance their deficit.[5]

1. The fiscal year corresponded with the calendar year during 1938-53, but has since 1954 been changed to extend from 1 July to 30 June of the following year. A separate budget was prepared for the interim half-year period from January to June 1954.
2. *Statistical Abstract of the Republic of China, 1955*, compiled by the Directorate-General of Budgets, Accounts and Statistics, Executive Yuan, Taipei, 1955. It has not been possible to obtain 1954/55 and 1955/56 budgets from the government.
3. Defence surtax has been collected since 1952 at 30 per cent of the income tax, land tax, business tax and many other taxes.
4. Shared with the Central Government up to 1951.
5. *The Structure of Taiwan Finance* (Bureau of Accounts and Statistics, Taiwan Provincial Government, 1953).

Monetary and price movements

Over the period 1949-55 as a whole the trend has been for money supply to rise most rapidly, with loans and discounts catching up with money supply and rising at a higher rate after 1951. Wholesale prices rose more slowly than money supply, especially after 1951. The cost of living generally lagged behind wholesale prices.

This slower rise in wholesale prices and cost of living than in money supply and loans and discounts was accounted for by the rapid increase in production, industrial more than agricultural, from 1952 to 1953. In 1954 and the first half of 1955, as noted, the production increase slowed down—industrial production rising at an annual rate of around 5 per cent in 1954 as compared with 30 per cent in 1953; in June 1955, with money supply and loans and discounts rising at the higher annual rate than in 1954, both wholesale prices and cost of living went up and brought about a mild crisis in the spring months of 1955. In November, food prices, especially of rice, rose further, owing mainly to higher rice export than in 1954, and rice rationing was introduced in the four cities of Taipeh, Keelung, Tainan and Kaohsiung.[6]

But for the continued inflow of US aid from 1949 onward, prices would have risen at a much higher rate than they did. In May 1955, while industrial production and wholesale prices rose, respectively, to 236 and 243 (1950=100), loans and discounts and money supply shot up to 528 and 385 respectively. US aid was also responsible for lowering the Central Government's budgetary deficit, from 36 per cent of the total expenditure in 1951 to 24 per cent in 1952 and 16 per cent in the fiscal year 1954/55.

The price rises in the spring of 1955 may be explained by several factors. The most important were the reduction in import exchange allocations from September 1954 onward, which in turn caused a substantial increase in market prices of imports,[7] and the atmosphere of uncertainty arising from speculation regarding the government's intention of changing the existing system of trade and exchange control. As previously noted, the latter change occurred with the promulgation of new measures on 1 March 1955. The earlier reduction in import-exchange allocations was necessitated by the fall in the government's foreign-exchange holdings in 1954, resulting from a drastic decline in the export of two major commodities —sugar and rice.

6. Taiwan's rice export, which totalled 36,000 tons in the first nine months of 1954, rose to 112,000 tons during the corresponding period of 1955.
7. An examination of the price indices in Taipei shows the price rise to have been highest for imported materials and goods. While the general index of wholesale prices rose by 8.5 per cent during the first quarter and by 3.7 per cent during the second quarter of 1955, the group index for metals and electrical materials rose respectively by 13.3 per cent and 36 per cent.

Section 2. MAINLAND*

In mainland China, production in 1954 continued to increase in industry, though at a much slower rate than in 1953 (the gross value of industrial production which includes some double counting increased by 17 per cent in 1954 as compared with 31 per cent in 1953), but it barely exceeded the 1953 level for foodgrains and registered a further fall of

* *N.B.* In regard to information given on mainland China in this section and this *Survey* generally, attention is called to the following: (1) Preparaparation of the present review as it relates to mainland China is based mainly on official news releases and other publications in which official statistics and estimates are given. (2) In the judgment of the secretariat, the data referred to are subject to qualification as noted in the section on "Nature of statistics and estimates" in the chapter on China, *Economic Survey of Asia and the Far East, 1954*, pp. 94-95, although more data have become available in 1955. Absolute production figures were released for 1952, for items as given in *infra*, tables 37 and 38, in the Chinese version of the *First Five-Year Plan for the Development of National Economy in the People's Republic of China* (People's Press, Peking, August 1955); on the basis of these figures, absolute production figures for other years may be derived from the relative changes, in terms of percentages, for those years. Also, absolute figures on total value of trade for 1954 were released in late 1955, without, however, break-downs between imports and exports, etc.

Frequent revision of official figures from the mainland is illustrated by the publication of the *Statistical Abstract on National Economic, Cultural and Educational Achievements during 1949-54* (compiled by the State Statistical Bureau), in *Hsin Hua Monthly* (in Chinese), no. 11, 1955, pp. 181-189, giving both relative and absolute figures for 1949 and 1952-54. The figures given in the *Abstract* do not always correspond with those given in the present section which are also based on official sources including the State Statistical Bureau.

Repetitious use of qualifying language will be avoided for editorial reasons, but, of necessity, a statement herein that, *e.g.*, production of a certain item increased by a certain percentage or amount is equivalent to a statement that that is the officially released figure as available to the ECAFE secretariat.

11 per cent for raw cotton. The increase in industrial production was achieved by a fuller utilization of the existing capacity, installation of new capacity and improvement in labour productivity. In 1955, industrial production was scheduled to increase by 7.7 per cent, but this goal had to be reduced to 5.2 per cent because agricultural raw materials (e.g. raw cotton) were short and a number of capital construction projects did not go into operation on schedule. Agricultural production was estimated to have risen by 7 per cent.

The year 1955 was also marked by the adoption and publication of *The First Five-Year (1953-57) Plan for the Development of National Economy*,[1] in which the targets originally set were lowered for many items. A total sum of Yuan 76,640 million or approximately $32,500 million (at the official exchange rate of Yuan 2.355=$1) is to be spent by the government on economic and social development within the Plan period, giving an average per capita outlay of over $10 per year. During the first two years of the Plan, 1953 and 1954, less than one third of this total sum was spent, thus implying a higher rate of capital formation in the remaining years.

The emphasis of the Plan is on the development of industry (especially heavy industry) and transport, rather than on agriculture. While the Plan aims at raising agricultural and industrial production combined by 51 per cent in five years, the increase is 93 per cent for industry as compared to 23 per cent for agriculture. It is planned that by the end of the period the production of major industrial items is to rise to the following magnitudes: coal 113 million tons, crude petroleum 2 million tons, electricity 15,900 million kWh, steel 4.12 million tons, cement 6 million tons, cotton textiles 164 million bolts.

Such a plan, if fully implemented, would represent a notable advance in economic development, especially in heavy industries, on the mainland; it would involve, however, continued restrictions on consumption and would necessarily preclude any appreciable increase in the living standards over the present level. Rationing of foodgrains, edible oils, sugar and cotton cloth has been introduced in urban and rural areas, with the rations for edible oils, sugar and cotton cloth generally lower in rural than in urban areas. In the spring of 1955 the evidence[2] appears to indicate that there have been food shortages generally in rural areas, which became critical in some cases. Administrative control is, of course, more far-reaching than in any other Asian economic system. Most of the capital formation contemplated will have to come from domestic savings, which at the same time carry heavy defence expenditure. Although the share of defence expenditure in total government outlay fell from 41.5 per cent in 1950 to 24.2 per cent in 1955, in absolute terms defence expenditure during this period increased by 154 per cent.

A major factor which will affect development is the high rate of population growth in an already settled country. Its importance is emphasized by the fact that a high degree of industrialization will take a long time to achieve.[3]

THE BASIC ECONOMIC PROBLEM

Mainland China, with an area of 9.7 million square kilometres, has a cultivated land area of only 1.08 million square kilometres (108 million hectares), or 11 per cent of the total area. Yet this limited area of arable land has to provide the principal means of livelihood for the largest population of any area in the world. The traditional estimate of 450-500 million was revised upward six times during 1950-52 by the Central People's Government from 483 million to 575 million.[4] The new census, undertaken on 30 June 1953, gives an all-time high of 583 million on the mainland,[5] which would give a population density of 540 persons per square kilometre of cultivated land in mainland China. The latter, like that for Taiwan (1,086 persons per square kilometre of cultivated land), is the highest in the ECAFE region except Japan and South Korea.

The pressure of population on land is made more serious by the high rate of population growth. A recent sample survey of population of 30 million gave a crude death-rate of 17 per thousand, a crude birth-rate of 37 per thousand, and a rate of natural increase of 20 per thousand.[6] There are, however, signs that the seriousness of the population problem is being recognized. In the view of Shao Li-tzu, "it is a good thing to have a large population, but in an environment beset with difficulties, it appears that there should be a limit set"; accordingly, "medical theories on contraception must be propagated, and contraceptives and practical guide on contraception should be supplied and given."[7]

The pressure of population on land necessarily varies widely in a big area like mainland China; it is highest in the fertile plains on the Yangtze and Yellow Rivers, along the railway lines and on the coast. The North-West is still thinly populated, and to a lesser extent also the North-East, opened up under Japanese influence only since the beginning of the century. Internal migration to these sparsely populated parts may afford relief to population pressure in the older, more settled parts; but the process is slow and costly. Under the First Five-Year Plan, it is proposed to survey 6.7 million hectares of wasteland of which 2.52 million hectares are to be reclaimed, thus bringing the total cultivated area to 110.6 million hectares by 1957.[8] The reclamation is to be undertaken largely by State farms or through organized resettlement by peasants, and only to a limited extent by small-scale local projects.

1. Li Fu-chun (Vice-Premier of the State Council and Chairman, State Planning Commission), *Report on the First Five-Year Plan for the Development of National Economy*, delivered at the second session of the First National People's Congress, 5-6 July 1955, and published in Chinese in *People's Daily*, 8 July 1955, and in English as a supplement to *People's China*, 16 August 1955, to which reference is made in the present chapter. The Chinese version of the *First Five-Year Plan for the Development of National Economy in the People's Republic of China* (hereafter referred to as *First Five-Year Plan*), published by the People's Press in mid-August 1955 in Peking, contains, in addition to Li-Fu-chun's *Report*, the Plan *in toto*; it gives many significant facts and figures reproduced not in the *Report*, but in press releases from the New China News Agency (hereafter referred to as NCNA) from 17 August 1955 onward.

2. *Infra*, p. 87.

3. The Five-Year Plan states that "to build a powerful country with a high degree of socialist industrialization will require decades of effort, say 40 or 50 years, or the whole second half of this century". (Li Fu-chun, *op. cit.*)

4. Pai Chien-hua (Census Department of the Ministry of Interior), "600 million—a great strength for socialist construction of China", in *People's Daily*, Peking, 1 November 1954.

5. "Communique on result of census and registration of China's population", NCNA, Peking, 1 November 1954. The Central People's Government figure for the total population of 602 million includes an estimated number of 7.6 million in Taiwan and 11.7 million of overseas Chinese and students studying abroad.

6. The survey was conducted by the Ministry of Interior in 29 large-and medium-size cities and 45 counties in Ninghsia and other provinces. (Pai, *op. cit.*)

7. "Deputy Shao Li-tzu speaks on birth control at National People's Congress", in *People's Daily*, 18 September 1954; also his article on "Concerning the problem of dissemination of knowledge about contraception", in *Kuang Ming Jih Pao*, Peking, 19 December 1954; Chou O-fan, "How to treat the question of contraception", in *China Youth*, no. 4, 16 February 1955; "How to approach the problem of birth control", in *New China's Women*, nos. 4-5, 1955; Yang Sze-ying, "On the Malthusian theory of population", *Hsueh-Hsi* (*Study*), no. 10, 2 October 1955 (all in Chinese).

8. By the end of 1955, 1.5 million hectares of wasteland are expected to have been reclaimed. (*First Five-Year Plan*, p. 28; NCNA, Peking, 28 September 1955).

Some redistribution of population has occurred through urbanization. The 1953 census showed an urban population of 77.3 million or 13.3 per cent of the total population on the mainland, with a rural population of 505.3 million or 86.7 per cent;[1] it also revealed a 40 per cent rise in the urban population (not including the floating and temporarily resident population) in 1953 over that in 1950. In the industrial and mining cities of Anshan, Fushun, Penki, Haokang, Tangshan and Taiyuan, the population has doubled, or even trebled over that of 1950.[2] As mainland China is entering upon a stage of industrialization, a rapid increase in urban population is to be expected. Under the First Five-Year Plan, employment in the fields affected by the Plan is expected to rise from the 1952 level by only 4.22 million, to 25.24 million by 1957. Nearly two-thirds of this total (or 15,484,000) are expected to be employees of State, co-operative and joint State-private enterprises, of government agencies and of popular organizations, with employees in industrial enterprises rising to 5,135,000, roughly 80 per cent more than in 1952.[3] Yet the exodus of rural population to towns and cities had so grown in 1954 that the Ministries of Interior and of Labour had to issue in March a joint directive to prevent the "blind influx of peasants into cities."[4] In mid-1955 the government, on account of the food situation, found it necessary to send back the surplus population from cities to villages.[5]

1. No clear-cut definition, however, is given of urban and rural population.
2. Pai, *op. cit.* The movement of population from villages to cities arises also from the disparity in living conditions, especially food shortage in the countryside.
3. *First Five-Year Plan*, pp. 128-129; "Labour force to increase by 1957", NCNA, Peking, 18 August 1955.
4. *People's Daily*, 15 March 1954. According to this directive, "the peasants should be made to understand that because city construction is at the commencement stage, the number of men needed to carry out the work cannot be too large, and the construction workers there are already more than sufficient to cope with the need. If they head blindly for the cities, they are simply throwing away their money and time to the detriment of their production". In the meantime, local authorities are exhorted to "lead the peasants to engage themselves positively in agricultural production. They must devise ways and means to increase production, to practise intensive farming, to improve production technique, to trim land and to improve the soil. They must promote water conservancy and afforestation and other work that would solve the problem of surplus labour in the rural villages".
5. Su Ying, "Why Shanghai's population should be gradually reduced", in *Sin Wen Jih Pao*, Shanghai, 10 August 1955; "Shanghai People's Council passes resolution to persuade peasants who have migrated into the city to return voluntarily to the villages", *Chien Fang Jih Pao*, Shanghai, 31 July 1955. From April to October 1955 558,000 persons returned from Shanghai to the villages (NCNA, Shanghai, 16 November 1955).

THE FIRST FIVE-YEAR PLAN

The First Five-Year Plan was submitted on 5-6 July 1955 to the First National People's Congress and approved by it on 30 July. This delay in the preparation of the Plan is attributed to the lack of research into natural resources, paucity of statistical data, inexperience in long-range planning and development, and co-existance of many forms of economy.[6]

The investment pattern

The First Five-Year Plan calls for a total State outlay of Yuan 76,640 million, which is equivalent to $32,500 million if converted at the official exchange rate of Yuan 2.355 to the dollar.[7] The emphasis is on capital construction,[8] which will take up Yuan 42,740 million or 55.8 per cent of the total State outlay, for the 1,600 above-norm projects.[9] Of the latter, 1,271 projects (455 in industry and 816 in other fields), or four fifths, are expected to be completed within the first five-year period.

The remaining sum of Yuan 33,900 million, or 44.2 per cent, is partly allocated to resources prospecting, engineering surveying and designing, stockpiling of equipment and supplies, etc.; partly to the development of industrial production, transport, post and tele-communications, including such items as overhaul of equipment, technical and organizational improvements in production, trial manufacture of new products, and purchase of miscellaneous fixed assets; partly to the circulating capital for various economic departments; and partly to the operational and training expenses of economic, cultural and educational departments. This sum will finance over 6,000 below-norm projects to be completed mainly within the first five-year period, of which 2,300 are in the field of industry.

6. Li Fu-chun, *op. cit.*, pp. 4-5.
7. In this section on the mainland the people's yuan for the period to 1 March 1955 is converted to the new people's yuan at the rate of 10,000 to 1. For the currency conversion see *infra*, section on "Price situation". The official rate for the dollar is Y2.367 for selling but Y2.343 for buying.
8. Capital construction investment is defined to cover capital outlay for fixed assets to be used for the development of national economy, including (1) construction of buildings, (2) purchase of equipment, furniture and fixtures, (3) installation of equipment, and (4) geological prospecting, planning, experiment and research incurred directly in connexion with capital construction work; training of cadres; and compensation for removal of occupants from the site of construction. (*First Five-Year Plan*, p. 23, footnote)
9. For a definition of the above-norm projects see *infra*, footnote (a) to table 35.

TABLE 35

CHINA: DISTRIBUTION OF GOVERNMENT DEVELOPMENT EXPENDITURE ON THE MAINLAND UNDER THE FIRST FIVE YEAR PLAN

Fields	Above-norm projects[a]			All projects	
	No. projects	Million Yuan	Per cent	Million Yuan	Per cent
Industry	694	24,850[b]	58.2	31,320	40.9
Agriculture, water conservancy and forestry	252	3,260	7.6	6,100	8.0
Transport, post and tele-communication	220	8,210	19.2	8,990	11.7
Trade, banking and stock-piling	[c]	1,280	3.0	2,160	2.8
Municipal public utilities	118	1,600	3.7	2,120	2.8
Other items on economic development[d]	160	460	1.1	11,680	15.2
Culture, education and public health	156	3,080	7.2	14,270	18.6
Total	1,600	42,740	100.0	76,640	100.0

Source: First Five-Year Plan, pp. 22-24.

a. To facilitate the control and management of the major capital construction projects, and in the light of actual conditions in mainland China, the State has set an "investment norm" (limit) for every category of capital construction. Any project, whether newly constructed, rebuilt or restored, calling for an investment above the limit set, is referred to as an above-norm project, and that calling for an investment less than the limit is referred to as a below-norm project. In industry, the investment limits set for capital construction projects vary by fields from Yuan 3 to 10 million.

b. The 156 projects to be implemented with aid from the USSR call for a total investment of Yuan 11,000 million (*People's Daily*, 24 October 1955.)

c. Included under "Other items on economic development".

d. Including Yuan 6,900 million for circulating capital, Yuan 3,600 million for major repairs and Yuan 1,180 million for others.

During the two years 1953 and 1954, 32 per cent of the total State outlay of Yuan 76,640 million was reported to have been made, only a little short of the target.

Total State development outlay for the five-year period is concentrated on industry, which claims as much as Yuan 31,320 million or 40.9 per cent. Of this amount Yuan 24,850 million or over 79 per cent is for above-norm projects, and the rest for smaller projects. Of the total outlay on above-norm projects for industry,[1] 88.8 per cent is for industries producing "means of production" and 11.2 per cent for industries producing consumer goods.[2] Priority is given to the development of industries producing "means of porduction," as against those producing consumer goods, by the very nature of the industrialization programme under the First Five-Year Plan. It is reported that the existence of unused capacity in consumer goods industries will enable production to increase. Such unused capacity in the light industries however could be fully utilized only if supplies of industrial raw materials, such as cotton, jute, hemp, tobacco, sugar cane, peanut, sesame and other vegetable oil-seeds, etc., become more adequate.

TABLE 36

CHINA: INCREASES IN INDUSTRIAL CAPACITY ON THE MAINLAND

	Units	Installed 1953-1955	Ultimate total increase due to projects on which work is undertaken during 1953-1957
Pig iron	'000 tons	642	5,750
Steel	'000 tons	740	6,100
Electricity	'000 kW	900	4,060
Coal	'000 tons	26,000	93,100
Petroleum	'000 tons	980	..
Metallurgical and mining machinery	'000 tons	..	190
Power-generating equipment	'000 kW	200	800
Locomotives	Units	284	930
Rolling stock	Units	20,190	10,500
Lorries	'000	-	90
Tractors	'000	- -	15
Chemical fertilizers	'000 tons	..	910[a]
Cement	'000 tons	650	3,600
Cotton textiles	'000 spindles	750	1,890
	'000 looms	22	54.5
Paper, machine-made	'000 tons	40	186
Sugar, machine-made	'000 tons	109	560

Source: Li Fu-chun, *op. cit.*, pp. 11, 48; *First Five-Year Plan*, pp. 56, 63; "Li Fu-chun reports on Five-Year Plan to Young Activists' Conference", NCNA, Peking, 28 September 1955.

a. Total capacity by 1957 is planned to be 590,000 tons. (*People's Daily*, 11 November 1955).

Within the producer goods or heavy industry, the bulk of the outlay will be channelled into coal and power, iron and steel and engineering. The weakness of the oil, chemical and non-ferrous metal industries is likely to persist for some time to come. The reported increases in industrial capacity during 1953-55, and the proposed increases beyond 1957 are given in table 36.

Next to industry, transport, especially railways, has been given the highest priority, in view of the emphasis on geographical redistribution of industries and defence needs.[3]

Agriculture, forestry and water conservancy occupy third place. No extensive mechanization of agriculture can yet be realized and larger conservancy and forestry projects cannot yet be widely developed. Other measures, such as introduction and extension of high-yielding crops (such as rice, maize and potatoes), use of better seeds and implements, control over plant diseases and insect pests, etc., do not require large capital. On the other hand, the large scale use of chemical fertilizers to increase output is precluded by the priority given to heavy industries. The total investment in agriculture is stated to be Yuan 6,100 million,[4] including Yuan 3,260 million for above-norm projects.

Production[5] targets

The Plan provides targets for major items of agricultural and industrial production, in addition to an estimate of the over-all increase by 51.1 per cent in the gross value[6] of agricultural and industrial production during the five-year period; it does not, however, estimate the growth of national income.

The rate of growth for agricultural production, 23.3 per cent, is much lower, as noted, than that for industrial production, 98.3 per cent,[7] and it also is much lower than that for handicraft production, 60.9 per cent. This disparity in rates of growth arises not only from the degree of intensity of land utilization already reached, and the tendency of agricultural production towards diminishing returns, but also from much higher priority being placed on industrial development by the State.

1. This includes Yuan 24,850 million for capital construction under "Industry" and Yuan 1,770 million for capital construction in industries under the jurisdiction of ministries other than those on industries (*e.g.* geology, public works, local industry etc.). See *First Five-Year Plan*, p. 24.
2. This compares with 85.9 per cent for the former and 14.1 per cent for the latter under the first Five-Year Plan in the USSR (see Li Fu-chun, *op. cit.*, p. 20).
3. *Economic Survey of Asia and the Far East, 1954*, pp. 102-104.
4. This excludes Yuan 10,000 million investment to be made by the peasants themselves. See *First Five-Year Plan*, p. 26.
5. The terms "industrial production", "agricultural production", "handicraft production" and "subsidiary rural production" call for a word of explanation to readers unfamiliar with the current terminology in mainland China. *Industrial production* refers to production from "modern industry" employing power-driven machinery in factories, as well as handicraft factories. (The term "factory" is, however, not clearly defined.) *Handicraft production* refers to production from handicraft producers' co-operatives, as well as individual handicraftsmen; it excludes production from rural handicrafts carried on as by-employments by peasants in the countryside, known as *subsidiary rural production*. *Agricultural production* includes agricultural production *per se*, as well as subsidiary rural production. (See *First Five-Year Plan*, pp. 14, 26-27).
6. All values given in the Plan are computed in terms of constant 1952 prices (*First Five-Year Plan*, p. 1).
7. 70 per cent of the increase in total gross value of industrial output is expected to come from existing enterprises.

TABLE 37
CHINA: INDUSTRIAL AND AGRICULTURAL PRODUCTION ON THE MAINLAND IN 1952 COMPARED WITH 1957 TARGET

	Unit	Production		1957 index (1952=100)
		1952	1957[a]	
Industrial and agricultural production	Million yuan	82,710	124,990	151.1
Industrial production[b]	„ „	27,010	53,560	198.3
Producer goods	„ „	10,736	24,316	226.5
Consumer goods	„ „	16,274	29,244	179.7
Handicraft production[c]	„ „	7,310	11,770	160.9
Agricultural production[d]	„ „	48,390	59,660	123.3
Industrial production				
Producer goods				
Fuel and power				
Coal	Million tons	63.6	113[e]	178
Coke	„ „	2.86	6.685	233
Petroleum, crude	„ „	.436	2.012	462
Power	„ kWh	7,260	15,900	219
Iron and steel				
Pig iron	„ tons	1.9	4.674	246
Steel	„ „	1.35	4.120	306
Rolled steel	„ „	1.11	3.045	275
Engineering				
Steam boilers	'000 tons/hours	1.222	2.734	224
Steam turbines	„ kW	—	84.5	—
Hydraulic turbines	„ „	6.7	79.5	1,193
Internal-combustion engines	„ hp	27.6	260.2	942
Generators	„ kW	29.7	227	765
Electric motors	„ „	63.9	1,048	164
Transformers	„ kVA	1.167	2,610	224
Metal cutting machine tools	„ tons	16.3	29.3	180
Doubled-bladed wheel ploughs	„ units	5	689	13,611
Sewing machines	„ „	.344	35.35	10,276
Locomotives	Units	20	200	1,000
Rolling stock				
Passenger cars	„	6	300	5,000
Freight cars	„	5,792	8,500	147
Steam vessels	'000 tons	21.5	179.1	834
Trucks	Units	—	4,000	—
Building materials				
Timber	Million cu. m.	10.2	20	200
Cement	„ tons	2.86	6	210
Chemicals				
Caustic soda	'000 tons	79	154	194
Pure soda	„ „	192	476	248
Ammonium sulphate	„ „	181	504	278
Ammonium nitrate	„ „	7.5	44	588
Consumer goods				
Cotton textiles				
Yarn	'000 bales	3,618	5,000	138
Cloth	„ bolts	111,634	163,721	147
Food				
Edible vegetable oils	„ tons	724	1,552	214
Sugar, machine-processed	„ „	249	686	276
Salt	„ „	3,460	5,932	171
Flour	„ „	2,990	4,670	156
Other				
Cigarettes	„ cases	2,650	4,700	177
Matches	„ „	9,110	12,700	139
Paper, machine-made	„ tons	372	655	176
Rubber foot-wear	Million pairs	61.7	108.3	176
Agricultural production				
Foodgrain crops	Million tons	163.92	192.81	117.6
Paddy	„ „	68.43	81.77	119.5
Wheat	„ „	18.13	23.73	130.9
Soya bean	„ „	9.52	11.22	117.9
Coarse grains	„ „	51.52	54.80	106.4
Potatoes	„ „	16.33	21.30	130.5
Other crops				
Cotton, raw	„ „	1.31	1.64	125.4
Jute and ambary hemp	„ „	.31	.37	119.7
Tobacco, flue-cured	„ „	.22	.39	176.6
Sugar cane	„ „	7.12	13.18	185.1
Sugar beet	„ „	.48	2.14	446.4

Sources: *First Five-Year Plan*, pp. 26-27, 36-37, 80.
a. Target under the First Five-Year Plan.
b. Including production from modern industry and handicraft factories.
c. Excluding production from handicraft factories and rural handicrafts.
d. Including production from rural handicrafts.
e. This target is reported to have been raised by 7-8 million tons according to a decision taken at a national mining conference. (NCNA, Peking, 6 September 1955.)

TABLE 38

CHINA: SOWN AREA AND YIELD PER HECTARE OF AGRICULTURAL CROPS ON THE MAINLAND, 1952 AS COMPARED WITH 1957 TARGET

	Sown area (million hectares)			Yield per hectare (kg.)		
	1952	1957	1957 : 1952	1952	1957	1957 : 1952
Foodgrain crops	124.0	127.6	1.03	1,322	1,511	1.14
Paddy	28.4	29.6	1.05	2,409	2,762	1.14
Wheat	24.8	26.7	1.08	731	888	1.22
Soya bean	11.7	12.7	1.09	814	883	1.09
Coarse grains[a]	50.4	48.8	.97	1,022	1,123	1.10
Potatoes	8.7	9.8	1.13	1,877	2,173	1.16
Industrial crops	11.9	15.1	1.27	..	..	..
Cotton, raw	5.6	6.3	1.14	234	260	1.10
Jute and ambary hemp	.16	.14	.88	1,937	2,643	1.37
Tobacco	.186	.28	1.50	1,183	1,393	1.18
Sugar cane	.18	.27	1.48	39,555	48,815	1.25
Sugar beet	.035	.14	4.05	13,714	15,286	1.10
Oil seeds	5.7	7.9	1.38	..	..	..
Other	5.4	8.8	1.64	..	..	..
Total	141.3	151.5	1.07	..	..	..

Source: First Five-Year Plan, 6. 80.
a. Includes kaoliang (sorghum), millet, proso-millet, maize, barley and oats.

In agricultural production, two major items are foodgrain crops and raw cotton, whose production during the five-year period is planned to rise respectively by 17.6 per cent and 25.4 per cent. The sown areas are planned to rise by 3 per cent for foodgrains and 14 per cent for raw cotton, while the yield per hectare is planned to rise by 14 per cent for foodgrains and 10 per cent for raw cotton.

In industrial production, the planned rate of increase for means of production, 126.5 per cent, is much greater than that for consumer goods, 79.7 per cent. The proposed expansion in production during the five-year period is 78 per cent for coal, 119 per cent for electricity, 110 per cent for cement, 146 per cent for pig iron, and 206 per cent for steel; but only 38 per cent for cotton yarn, 47 per cent for cotton cloth and 114 per cent for edible vegetable oils. The high rate of expansion in sugar production, 176 per cent, is partly accounted for by the very small base in 1952, when production at 249,000 tons provided for an annual consumption from domestic production of only one pound per capita.

In order to achieve the 98.3 per cent increase in industrial production under the First Five-Year Plan, it is proposed to raise labour productivity by 64 per cent.[1]

Problems of implementation

During the first two years of the Plan, the government was preoccupied more with the effective utilization of the existing capacity for the production of consumer goods than with the installation of new capacity for the production of capital goods. In 1955 increasing attention has been paid to the difficulties encountered in the implementation of the Plan, in the examination of which the government at times appears quite outspoken and searching in self-criticism. According to the chairman of the State Planning Commission, *failure to apply simply standards* in capital construction has "resulted in waste of funds, manpower and material resources." Many enterprises are reported to have spent far too much money on non-productive projects, e.g. auxiliary buildings, factory offices, living quarters, canteens, etc., which should have been put up economically. There have been some new factories and mines which, even before they went into production, were completely equipped with all such amenities as auditoriums and clubs and, in addition, the standards of these buildings are far too high. The standard of municipal construction in many new industrial areas is also said to be too high: too much attention has been paid to premature moderanization and civic "beautification."[2] To correct these mistakes, instructions have been issued by the Central Committee of the Communist Party of China and the National Conference of the Party to the effect that while for many above-norm factories and mines, especially those with a high priority, the most up-to-date technique must be used, standards for non-productive projects should be greatly lowered.

Another problem is that of ensuring the required *engineering quality*, in view of the lack of training and experience of the present engineering and other technical staff. Mainland China, however, obtains technical processes from the Soviet Union through the employment of USSR experts, and Chinese students are being trained locally by USSR experts and also sent to the Soviet Union for field training in different industrial enterprises. Many have thus been sent, although no figures are available.

Rational utilization of the present limited scientific and technical personnel is being promoted, so as to avoid its concentration on the high-level departments and administrative bodies. At the second session of the First National People's Congress in July 1955, the chairman of the State Planning Commission told the deputation: "We cannot allow a situation to continue in which many people with specialized skills have

1. This compares with 41 per cent rise in industrial labour productivity under the First Five-Year Plan, and 82 per cent under the Second Five-Year Plan, in the USSR (*People's Daily*, 24 October 1955).

2. Li Fu-chun, *op. cit.*, p. 22.

been placed in unsuitable positions for prolonged periods, thus preventing them from making their full contribution to the country."[1]

An extensive programme of education and training is being implemented under the First Five-Year Plan: (1) by 1957, 283,000 students are to graduate from institutions of higher learning in different fields (engineering 33.6 per cent, agriculture and forestry 6.6 per cent, economics and finance 9 per cent, public health 9.4 per cent, science 4.9 per cent, arts 7.6 per cent, normal education 24.9 per cent, others 4 per cent), and 888,300 students from secondary schools to serve as technical and managerial cadres; (2) 920,000 skilled workers will be trained by the central Ministries of Industries, Geology, Public Works, Agriculture, Forestry, Railways, Transport, Post and Tele-Communications, and Labour (119,000 in the workers' technical schools, 362,000 in the enterprises, and 439,000 as apprentices).[2]

Related to the problem of ensuring engineering quality in capital construction is the need to raise the level of industrial management, on which the chairman of the State Planning Commission exhorted all industrial enterprises to make continuous improvement, and to raise the productivity of workers and staff members.

A third problem is the need for *inter-industry co-ordination* at large, and for inter-plant co-ordination within the same industry. In an editorial on the engineering industry, the *People's Daily* points out: "While there was not enough job for all, blind expansion of factories went on; while equipment remained idle, unnecessary equipment was added; while productivity of labour was low, workers were increased; while some products were overstocked, processing jobs were given and orders were placed for more products."[3] The First Five-Year Plan thus stressed the following: "The scattered and unco-ordinated character of the old industrial equipment left to us makes it especially necessary for us to work together on an even broader scale, so that each enterprise can specialize, but at the same time co-ordinate its activities closely with production in other enterprises. We must give up thinking and asking on the assumption that an enterprise or industrial department can produce in isolation, without regard to others."[4]

Failure to apply simpler standards in capital construction to non-productive enterprises, the low level of competence of engineering, technical and management personnel, and the lack of inter-industry and inter-plant co-ordination, have combined to give rise to "serious waste [which] still exists in certain spheres, departments, areas and enterprises," for the prevention or reduction of which the movement for the "*rigid practice of over-all economy*"[5] has recently been pushed ahead vigorously throughout mainland China. The State Council has stipulated that within the next three years, the cost of construction and machine installation for productive enterprises should be reduced by at least 10 per cent below the original plan, and for non-productive projects by at least 15 per cent. It is estimated that an annual saving of at least Yuan 2,000 million for the State could thus be brought about.[6]

THE AGRICULTURAL SITUATION

While a large part of State investment is allocated to industrial development, improvement in agricultural production is essential for several reasons: to provide a major portion of the nation's export products to pay for the import of capital goods, and to meet the increasing requirements of raw materials for the development of industry and the expanding food needs of the growing population in cities.

Agricultural production, however, cannot be raised as rapidly as industrial production. Actually, the succession of adverse weather, floods and drought during the first two years of the plan (1953-54) has prevented foodgrain production from expanding according to plan, and has reduced raw cotton production by as much as 18 per cent. In 1955, however, agricultural production is expected to be the best of the past three years.[7]

The Five-Year Plan proposes a series of measures to raise agricultural production; these include the transformation of the small peasant economy into a co-operative system of production, construction of water-conservancy projects, reclamation of wasteland, modernization of agricultural technique, extension of high-yielding crops (rice, maize and potatoes), etc. Of these, only a small beginning has been made in the reclamation of land, but there has been progress in the extension of co-operative organization and construction of water-conservancy projects and work is also being undertaken to modernize the technique of agricultural production. Shortages of chemical fertilizer, however, will tend to limit production increase and the rapid formation of agricul- disturbal producers' co-operatives may, at least in the short run, disrupt the existing organization of agricultural production.

Agricultural production

Data released on agricultural production are frequently revised, usually downward.[8]

The First Five-Year Plan aims at the following increases of output for different crops: foodgrains 17.6 per cent, raw cotton 25.4 per cent, jute and ambary hemp 19.7 per cent, tobacco 76.6 per cent and sugar cane 85.1 per cent. The proposed expansion of sown acreage is 3.6 million hectares for foodgrain crops and 6.2 million hectares for industrial and other crops, thus raising the total sown acreage to 127.6 million hectares for foodgrain crops and 23.9 million hectares for industrial and other crops. In addition the yield per hectare is expected to rise by 14 per cent for foodgrain crops, 10 per cent for raw cotton, 18 per cent for tobacco, 25 per cent for sugar cane, etc.[9] (see table 38).

In 1954 an increase in production was reported for all crops except raw cotton and rapeseed; foodgrain crops, which alone took up over nine-tenths of the country's sown area, rose in output by over 2 per cent, as compared with 1953. The increases for other crops in 1954 over 1953 were 19 per cent for sugar cane, 96 per cent for sugar beet, 6 per cent for jute, 9 per cent for tobacco, and 30 per cent for peanuts.[10]

The increased production of agricultural raw materials such as raw cotton, jute, hemp, oil seeds, tobacco and sugar

1. *Ibid*, p. 40.
2. *First Five-Year Plan*, pp. 124-125.
3. *People's Daily*, 24 May, 1955.
4. Li Fu-Chun, *op. cit.*, pp. 25-26.
5. *Ibid*, p. 42.
6. *Ibid*, pp. 45-46.
7. "People's Daily greets National Day", NCNA, Peking, 1 October 1955.
8. For example, in the case of raw cotton, a series of figures have been issued regarding the 1954 production as follows: 1.24 million tons (Chou En-lai, *Report on Government Work*, 23 September 1954), 1.175 million tons (statement by the Minister of Agriculture, 3 March 1955), 1.065 million tons (State Statistical Bureau, *1954 Communique* released in October 1955), and 1.04 million tons (NCNA, Peking, 18 December 1955).
9. *First Five-Year Plan*, p. 80.
10. *1954 Communique on National Economic Development and Fulfilment of the State Plan*, by the State Statistical Bureau.

cane, etc. lags for the time being behind the demands of growing industrial production; their scarcity accounts for the failure to make full use of the existing capacity in consumer goods industries. The Five-Year Plan therefore proposes to economize in the use of raw materials, *e.g.* raw cotton and oil seeds, and overcome waste.

Foodgrain crops

The harvest achieved a record in 1952, at 164 million tons or 9 per cent above the 1936 peak, but is reported to have risen further by over 2 per cent in 1954 and by 7 per cent in 1955.[1] The paddy production in 1955 is estimated to have risen to 78.5 million tons, or 7.6 million tons above 1954.[2]

The government's decision to introduce control over purchase and supply of foodgrains in November 1953 was necessitated by the unbalance between the demand and supply of foodgrains,[3] which became more acute when the great 1954 floods on the Yangtze and Hwai rivers made it necessary to provide for the large flood-stricken population. In the spring plowing season of 1955 when the government introduced the new policy of "fixed production, fixed purchase and fixed sale of foodgrains"—the so-called "three fixed" policy,[4] State grain sales to the rural population were found to have been far in excess of the originally fixed quota, owing to excessive State purchase of grain in a part of the country which reaped a good harvest, the failure to supply grain promptly to certain areas of Kwangtung, Kwangsi and south Hunan stricken by frost or drought, inadequate supply in certain areas during the period of reorganizing the system of State distribution under the new "three fixed" policy, and lack of experience in foodgrain administration.[5]

TABLE 39

CHINA: AGRICULTURAL PRODUCTION ON THE MAINLAND, 1952-1955 AND 1957 TARGET

	Cotton, raw		Foodgrain crops	
	Amount ('000 tons)	Index (1952=100)	Amount ('000,000 tons)	Index (1952=100)
1952	1,305	100	164	100
1953	1,175	90	165	100
1954	1,040[c]	82	169[a,b,c]	103
1955 (estimate)	1,400	103	182	111
1957 (target)[d]	1,635	125	193	118

Note: Foodgrain crops cover cereals and pulses and potatoes.

Sources: 1952 figure and 1957 target from *First Five-Year Plan, op cit.;* 1953 and 1954 figures from *Communique on National Economic Development and Fulfilment of the State Plan* for 1953 and 1954, by the State Statistical Bureau (hereafter referred to as *1953 Communique* or *1954 Communique*); 1955 estimate from *People's Daily*, 19 August 1955: "Li Fu-chun reports on Five-Year Plan to Young Activists' conference", NCNA, Peking, 28 September 1955; article by Sun Yang (Chief, Research Department, State Planning Commission), in *People's Daily*, 1 October 1955; "Official estimates of grain and cotton harvest", NCNA, Peking, 12 November 1955.

a. Equal to 146 million tons in commercial terms, *i.e.* after de-husking. (See Vice-Minister Chen Yun's statement to the First National People's Congress, in *People's Daily*, 22 July 1955); also *ibid*, editorial, 3 August 1955.

b. Taking 1953=100, the 1954 indexes for different foodgrain crops are as follows: paddy 99, wheat 128, soybean 91, coarse grains 97 (*1954 Communique*).

c. NCNA, Peking, 18 December, 1955.

d. According to Li Fu-chun, *op. cit.*, p. 27, "these targets, though lower than those oringinally envisaged, are still very high considering the fact that they are based on the output of 1952, a year of record harvest. Furthermore, because the 1953 and 1954 plans for increasing agricultural output were not fulfilled in consequence of natural calamities, the targets set for increased production in the last three years of the Five-Year Plan period had to be raised."

Following the State Council directive and consequent reorganization of the system of State grain supply, State grain sales in May, the usual seasonal peak month for sales, were reported to have dropped by 12.5 per cent to 4.2 million tons, as compared with 4.8 million tons in April,[6] through the efforts of hundreds of thousands of cadres from the government and the party.[7] Attention was turned thenceforth to the implementation of the drive for economy in food consumption in the cities which started in March. The per capita quota of foodgrain supplies provided by the State for the cities was generally higher than that for the rural areas; yet since September 1954 the sales of foodgrains in the cities had continuously exceeded the quotas set by the State. Part of the excess quantities of foodgrains sold was due to the increase in population and to national development needs, but a considerable part to the absence of a "scientific and rigid supply sytsem," laxity in the enforcement of different rationing measures, and failure to appreciate the significance of economy in food consumption.[8] On 5 August 1955 two foodgrain control measures were adopted by the State Council, namely (1) Provisional Measures for Foodgrain Rationing in Cities and Market Towns, and (2) Provisional Measures for Unified Purchase and Unified Supply of Foodgrains in Rural Districts. Both measures lay down definite rules for the implementation of the "three fixed" policy for foodgrains announced in the spring.

Farm households are classified into three categories—surplus, deficit and self-sufficient. Surplus-foodgrain households have to *sell* to the State the surplus, which was fixed in the spring of 1955 by deducting consumption and public grain levy from estimated production under normal conditions but which is to remain unchanged for a period of *three years* except in the case of natural calamity when an adjustment may be made. The State may, however, raise the surplus quota for its purchase, in years of good harvest, not to exceed 40 per cent of the extra yield above the fixed norm, while surplus-foodgrain households may dispose of the balance, after deduction from production of the amount required for own consumption and public grain levy and for sale to the State, on the state controlled rural grain markets. Deficit-foodgrain households, mainly growing industrial crops such as raw cotton, can purchase from the State the foodgrain required to make up the deficit, which is fixed *annually*, and scheduled to decline each year.[9] The self-sufficient foodgrain households neither sell foodgrain to the State nor buy any from it, but like the surplus-foodgrain households, may dispose of any balance in foodgrains which may arise either from increased production in normal years or from economy in consumption.

1. NCNA, Peking, 12 November 1955.
2. *Ta Kung Pao*, Hong Kong, 8 October 1955.
3. Such unbalance arises from the expansion of demand caused by large State outlay on development and other factors, which places pressure on the available supply.
4. Under this policy the total purchase and levy quota of foodgrains is reduced from 44.65 million tons for the year beginning July 1954 to 43.25 million tons for the year beginning July 1955; it is to remain unchanged for the three years to come (See Vice-Premier Chen Yun's statement to the First National People's Congress, in *People's Daily*, 22 July 1955; also ibid, editorial, 3 August 1955). However, the quantity of foodgrains to be supplied by the State is to decrease by 5 million tons during the same period, thus enabling the State, in fact, to increase the quantity of foodgrains at its disposal. (*Ta Kung Pao*, Tientsin, 8 November 1955).
5. NCNA, Peking, 30 April 1955.
6. This reduction would involve hardship on some peasants if their quota had to be reduced below minimum requirements.
7. NCNA, Peking, 17 June 1955; Vice-Premier Chen Yun's statement to the second session of the First National People's Congress, in *People's Daily*, 22 July 1955. The total sales of foodgrains, according to the Ministry of Food, reached 40.45 million tons (18 million tons to rural areas but 22.45 million tons to urban and industrial/mining areas) during the year beginning July 1954, when the total State purchase and levy reached 44.54 million tons (as compared with 43.25 million tons during the year beginning July 1953). (See *People's Daily* editorial, 3 August 1955).
8. "Planned marketing of food in cities must also be seriously adjusted", *People's Daily* editorial, 18 June 1955; also *ibid*, 16, 17, 23 and 24 July 1955.
9. "How to fix grain output", by Tang Hai-chuan, in *Ta Kung Pao*, Tientsin, 12 September 1955.

Foodgrain rationing applies to cities and market towns (including industrial and mining areas), not to villages to which the system of unified purchase and sale of foodgrains as described above applies instead. The ration varies according to type of labour, differences in age, and local foodgrain-consumption habits. In rice-consuming areas, the monthly per capita rice ration varies for 9 specified categories as follows: 25 kg for especially heavy physical labour, 20 kg for heavy physical labour, 16 kg for light physical labour, 14 kg for the "white collar" class (including civil servants, shop-keepers, employees of popular organizations etc.), 16 kg for students in universities and middle schools, 12.5 kg for ordinary residents and children of 10 years of age or above, and a lower amount for three categories of children under 10 years of age. In general, a higher ration is provided for areas consuming mainly coarse grains and wheat flour. Foodgrain rationing was introduced between September and November of 1955 in different cities and market towns;[1] it does not, however, apply to rural residents travelling to rationed areas or to railway and steamship passengers.

Raw cotton

The succession of two bad crops in 1953 and 1954 underlined the need for effective measures by the State to expand and control output, with a view to meeting the domestic consumption requirements of a growing cotton-textile industry. The 1955 estimate, 1.4 million tons or one third over the 1954 crop of 1.04 million tons, was reached primarily through the conclusion of advance purchase contracts with the cotton growers, a policy begun in September 1954.[2] With a view to encouraging the peasants to sell all their *marketable* cotton to the State in 1955, the State Council issued a directive in March for the advance purchase of 1955 cotton, which introduced two new features, namely, (1) advance purchase of all cotton in excess of requirements for own consumption and tax payment, (2) agreement by the State, for each 50 kg of lint cotton bought in advance, to pay 10 per cent of the purchase price in cash, to supply 5 kg of foodgrain and 3 1/3 metres of cotton cloth, in addition to the quota of foodgrain and cotton cloth originally fixed, and to guarantee the supply of 25-50 kg of beancake (or 10-20 kg of chemical fertilizers).[3] In mid-May when advance purchase of cotton by the State was about to be completed, it was estimated that in Hopei, Kiangsu, Shantung, Shansi, Honan, Shensi, Hupeh, Kiangsi, Liaoning, Jehol, Shanghai and Peking, the amount of raw cotton purchased in advance reached 650,000 tons, representing 73.4 per cent of the purchase quota.[4]

Oil seeds

At the end of 1953 the production of oil seeds (including soybean,[5] rapeseed and peanut) was reported to be 70-80 per cent of the pre-war level, and fell short of the requirement for domestic consumption and exports. As a result, the Government Administration Council issued, on 17 December 1953, a directive on the increase in production of oil seeds and took steps to enforce planned purchase of oil seeds and planned supply of vegetable oils in the following year.[6]

During 1953/54 soybean production was estimated to have risen from 9.04 million tons to 10.13 million tons (with production in the North-East rising from 3.65 to 4.08 million tons[7]), rapeseed production from 2.72 million tons to 2.90 million tons, and peanut production from 2.09 million tons to 2.90 million tons.[8] Despite the 1954 increase in production, the government purchase of the autumn crop reached only 86 per cent of the planned quota for the period October 1954 to January 1955; in areas other than the North-East and the Inner Mongolia Autonomous Region, it was equal to only 64.8 per cent of the total planned quota for the autumn crop.[9]

In 1955 the government planned to raise the production of oil seeds by one-third above the 1954 level; but, owing to drought and for other reasons, the sowing programme for the spring crop was not completely carried out, and owing to competition of foodgrain and cotton crops, the prospect for reaching the target set for the autumn crop also appeared limited.[10] In late October the oil seed crops for 1955 were reported to have risen by 20 per cent over 1954.[11] With a view to meeting the increasing demand for domestic consumption of vegetable oils,[12] steps were taken to produce 100,000 tons more vegetable oil than in 1954,[13] partly by raising the extraction efficiency of oil presses. By the end of June, 50,000 tons of the proposed increase had been realized.[14]

Agricultural co-operation

Co-operation takes various forms—from the provision of credit and supply of consumer goods and agricultural requisites to the production and marketing of farm crops. It is the means by which the present small peasant economy is expected to be transformed into socialized agriculture on a large scale; for this reason it has been extended by the government as a major policy measure under the Five-Year Plan.

Agricultural producers' co-operatives, the basic form of co-operation in mainland China, are expected to "organize labour power rationally and so increase productivity, use the land systematically and effectively and extend the area under cultivation, resist or reduce the ravages of nature, and with State help introduce gradually technical improvements in agriculture."[15] This is designed not only to socialize agriculture, but to make it possible for agricultural production to keep pace with the growing demand of the nation for food and raw materials in the implementation of its programme for industrialization.

In view of the great importance attached to the development of agricultural producers' co-operatives, a resolution was taken to hasten their consolidation and extension at the Sixth Plenary Session of the Seventh Central Committee of the Communist Party of China on 11 October, 1955, on the basis of the report delivered by Mao Tse-tung on 31 July. This resolution laid down general principles concerning the organization, operation and financing of these co-operatives, and the financial and technical aid to be extended to them by the State, so as to achieve the primary aims of the movement

1. NCNA, Peking, 25 August 1955.
2. In 1954/55 such advance purchases were reported to account for 35.6 per cent of the total quantity of cotton bought by the State. (NCNA, Peking, 23 March 1955).
3. *People's Daily*, 23 March 1955.
4. *Ta Kung Pao*, Tientsin, 26 May 1955.
5. Also used as foodgrains.
6. Adopted at 198th session of the Council and released in NCNA, Peking, 28 December 1953.
7. *International Financial News*, 25 June and 10 September 1954, quoting estimates in US Department of Agriculture, *Foreign Crops and Markets*, 31 May and 6 September 1954.
8. NCNA, Peking, 20 November 1954.
9. *Ta Kung Pao*, Tientsin, 8 April 1955.
10. *People's Daily* editional, 4 July 1955. The rapeseed harvested in June is reported to be only 19 per cent above the 1954 level.
11. *People's Daily*, 27 October 1955.
12. The volume of vegetable oils planned to be exported is reported to have been cut down by 32 per cent as compared with 1952, and by 26.7 per cent as compared with 1953. (See *Ta Kung Pao*, Hong Kong, 23 September 1954).
13. *Ta Kung Pao*, Tientsin, 18 January 1955.
14. NCNA, Peking, 2 September 1955.
15. "Chinese Communist Party resolution on agricultural co-operation", NCNA, Peking, 17 October 1955.

which are "to turn some 110 million peasant households from individual farming into collective management and then go further to accomplish the technical reform of agriculture, to eliminate the last remaining system of exploitation in the rural areas, capitalism, and to establish socialism."[1]

The number of agricultural producers' co-operatives rose from 100,000 in the spring of 1954 to 650,000 in June 1955, embracing some 17 million peasant households, or 15 per cent of the country's total.[2] By the end of December it rose further to 1,950,000[3] with a membership covering 60 per cent of the peasant households in the country, which exceeded the 33 per cent target proposed under the Five-Year Plan.[4]

Although a majority of the agricultural producers' co-operatives organized during the last few years are reported to be "on a firm footing," and receive favoured treatment from the government in the form of seed and fertilizer supply, preferential loan arrangements, etc., "many problems still remain in regard to the calculation of labour contributed, remuneration for land and other pooled means of production, finding funds for production, and the determination of the ratio of reserve funds in relation to other items."[5]

Membership in the *credit co-operatives* is reported to have increased rapidly from 43 million at the end of September 1954[6] to 70 million in early March 1955, with total deposits rising to Yuan 488 million, in part as a result of persuasive tactics by rural cadres. According to incomplete statistics for end-1954, the total loans outstanding amounted to Yuan 314 million.[7] On 25 March 1955 the China Bank of Agriculture was formed to undertake, among other functions, that of granting long-term and short-term credit to various types of co-operative and mutual aid teams, under the guidance of the People's Bank of China.[8] It has decided to issue loans totalling Yuan 138 million this year to needy peasants desiring to joint agricultural co-operatives, for repayment in five years.[9]

The *supply and marketing co-operatives*, with a membership of 160 million, are extensively developed; they are the media by which the State is implementing its policy of planned purchase and distribution of foodgrans, raw cotton and edible oils. While they undertake, in conjunction with the network of State trading companies and their branches throughout the country, to purchase the farm products, usually through the conclusion of contracts in advance, they also supply the peasants with essential consumer goods and various kinds of agricultural requisites.

Water conservancy

State outlay on water conservancy during the first five-year period has been budgeted at Yuan 2,490 million, in addition to a sum of Yuan 770 million spent during 1950-52.[10] It represents 4 per cent of the total State outlay on economic development under the First Five-Year Plan.

Water conservancy work consists mainly of irrigation, drainage and flood control, but also includes multiple-purpose projects already initiated on the Hwai River and planned for the Yellow River; it usually employs a large force of rural surplus labour with relatively small capital outlay.

1. *Ibid.*
2. NCNA, Peking, 25 July and 28 September 1955.
3. *Ta Kung Pao*, Hong Kong, 4 January 1956.
4. *The First Five-Year Plan*, *op. cit.*
5. Li Fu-chun, *op. cit.*, pp. 27-28.
6. *People's Daily*, 19 December 1954.
7. *Ta Kung Pao*, Tientsin, 12 March and 23 August 1955.
8. *People's Daily*, 27 March 1955.
9. NCNA, Peking, 21 June 1955.
10. NCNA, Peking, 26 July 1955.

Irrigation works in 1954, mainly small projects undertaken by the peasants themselves, helped to expand the irrigated area by 700,000 hectares, as compared with 633,000 hectares in 1933.[11] In 1955 the area already under irrigation is estimated to have risen by 1 million hectares.[12] The Five-Year Plan proposes to extend the irrigated area by 4.8 million hectares and by 1957 the total area of irrigated fields is expected to reach 24.6 million hectares.[13]

Flood control work, which played an important part in alleviating the losses from the great floods on the Yangtze and Hwai rivers in 1954, mainly consist in strengthening and building dykes and constructing water-detention basins and storage reservoirs.

In 1954 large-scale rehabilitation and strengthening of dykes was carried out after the great flood. Works on the Yangtze River involved 344 million cubic metres of earthwork and 540,000 cubic metres of broken-stone protection work. The main dykes along the Chinkiang section and around the city of Wuhan were raised above the highest 1954 water marks. Also, the important dyke systems guarding the great plain north of the Hwai River were raised above the exceptionally high water marks registered in 1954.

Under the Five-Year Plan, five large reservoirs capable of regulating the Yellow River flow are to be built at Sanmen Gorge and four other sites. Four big reservoirs at Nanwan, Poshan, Futseling and Meishan on the Hwai River Basin, capable of storing more than 3,800 mililion cubic metres of water, are included in the Five-Year Plan for controlling the flood flow of its main tributaries—the Hun, Ju, Sai and Peipei rivers. The Poshan (280 million cubic metres) and Futseling (470 million cubic metres) reservoirs were completed in 1954, while construction work on Nanwan (900 million cubic metres) and Meishan (2,100 million cubic metres) reservoirs is now preceeding. In 1954 was also completed the Kuanting Reservoir on the Yungting River, with a capacity of 2,300 million cubic metres, the largest of all reservoirs so far completed in mainland China.[14] The construction of Tahofang Reservoir along a tributary of the Liao River in the North-East is still under way.[15]

In 1955 early preparations have been made to forestall the possible recurrence of a big flood. In March, 3 million civilians participated for two months in the strengthening of dykes on the Yangtze River and its tributaries in the five provinces of Hupeh, Hunan, Kiangsi, Anhwei and Kiangsu.[16] Directives were issued by the Ministries of Agriculture and Water Conservancy on 14 May to link anti-drought work with anti-flood work.[17] The flood in 1955 was, however, not

11. *Ta Kung Pao*, Hong Kong, 22 January 1955. Small-scale irrigation works are stated to have irrigated 89.4 per cent of the total irrigated area. During 1950-54, 3.3 million hectares out of a total of 4.53 million hectares of newly irrigated land were irrigated by small-scale irrigation works. (See Minister of Water Conservancy Fu Tso-yi's statement to the First National People's Congress, in People's Daily, 27 July 1955.)

12. "Peasants all over the country intensively building and renovating farmland water conservancy", NCNA, Peking, 10 March and 16 and 21 November 1955.

13. *First Five-Year Plan*, p. 81; NCNA, Peking, 20 August and 21 November 1955. The total State investment in farm irrigation during 1950-1954 is stated to have reached Yuan 160 million. (See *People's Daily* editorial, 3 August 1955.)

14. Li Fu-chun, *op. cit.*; NCNA, Peking, 26 July 1955.

15. 'Minister of Water Conservancy Fu Tso-yi's statement to the Second Session of he National People's Congress', *Ta Kung Pao*, Tientsin, 28 July 1955; NCNA, Pengpu, 6 May 1954.

16. NCNA, Peking, 8 March 1955.

17. NCNA, Peking, 16 May 1955.

very severe, as the highest water level reached at Wuhan (29.77 metres), a key observation point for the Yangtze River, was substantially lower (by 3.61 metres) than the highest level reached in 1954.[1]

Modernization of agricultural technique

Socialization of agriculture is to be achieved, during the period of transition, by the extension of co-operative organization on the one hand, and by the modernization of agricultural technique on the other. In order to achieve the latter, a number of measures are being taken which include agricultural research and education, improvement in agricultural methods and technique and mechanization of agricultural production.

In agricultural research and education, mainland China today has 10 central and 32 provincial agricultural research institutes, 32 agricultural colleges and institutes,[2] and about 2,000 agro-technical or farm-extension stations, with another 2,000 planned to be set up in the current year.[3] As a result of the research work already done, many new seeds are being developed to raise the per hectare yield by 10-20 per cent, *e.g.* Pima No. 1 wheat applied to 500,000 hectares of cultivated land in Shensi province in 1954. The USSR method of close planting, adapted to suit local conditions, has increased the per hectare yield by about 20 per cent. Double-cropping of rice is being extended. The locust pest is being combated through the application of No. 666 insecticide. Vaccines are being manufactured to wipe out pig disease. Land improvement, such as changing alkaline and sandy soil into fertile fields, terracing sloping land and irrigating arid land, is also being extended. However, much remains to be done in the study of heredity, bacteriology, climatology, and agricultural engineering.[4]

The use of better farm tools and implements is being extended. Twenty thousand double-bladed or single-bladed wheel ploughs, which can be drawn by a horse, mule or donkey and perform deep, fast and smooth plaughing, were made available from August to November 1954 to peasants in eight provinces; an agreement was signed between the First Ministry of Machine Industry and the China Federation of Co-operatives to produce 400,000 such ploughs in 1955.[5] The output is planned to rise to 1.5 million[6] by 1957. Another improved tool is the three-bladed hoe, which, if drawn by a draught animal, can perform ten times the work done by a peasant working with the old-type hoe. The Ministry of Agriculture, the First Ministry of Machine Industry, the China Federation of Co-operatives and the People's Bank joined in March 1955 to promote the use of over 60,000 three-bladed hoes in the year in 20 provinces, Peking municipality and the Inner Mongolia Autonomous Region, of which 40,000 are reported to have been completed before the end of April by 13 plants under the First Ministry of Machine Industry.[7] Efforts are also being made to standardize the improved water wheels, of which 600,000 were reported to have been supplied during the last five years. Before July of this year all provinces were required to submit plans for the extended use and manufacture of the improved water wheels in 1956 to the Ministry of Local Industry, which will in turn plan for the production of the required quantity according to standards suitable to local conditions.[8] In all, improved farm implements to be supplied to the peasants this year are expected to be 2.8 times as many as last year.[9]

Mainland China is, however, faced with a serious shortage of chemical fertilizer, which is essential to the improvement of the per hectare yield of many crops. Imports are limited because costly, and the expansion of chemical fertilizers production under the Five-Year Plan from 189,000 tons to 590,000 tons does not adequately meet the requirements.

In the mechanization of agricultural production a beginning, though limited, is being made through the establishment of mechanized State farms and tractor stations, largely in sparsely settled parts like the North-East. The number of mechanized State farms increased from 50 in 1952 (with 135,000 hectares of arable land and 1,531 tractors of 15 hp each) to 106 (with 276,000 hectares of arable land or 0.2 per cent of the total cultivated area in mainland China and 3,012 tractors of 15 hp each) in 1955.[10] These farms, though limited in number, are intended to produce "important exemplary effects on the broad peasantry"; their extension is limited by the difficulty of meeting the need for large capital investment.[11]

The tractor-stations, whose function is to service the co-operative and collective farms of the peasants, numbered 89 in 1954 (with 778 15-hp tractors) and will reach 112 in 1955 (with 1,896 15-hp tractors); the proposed number to be added during the five-year period is 194 with 2,897 15 hp tractors to serve 230,000 hectares of farmland.[12]

THE INDUSTRIAL SITUATION

Industrial production

The industrial picture in mainland China is dominated by the emphasis on "producer goods" as against "consumer goods," or on "heavy industry", as against "light industry". This is reflected not only in the pattern of government investment in industries, but also in the structure of industrial ministries in the Central People's Government today.

TABLE 40

CHINA: STRUCTURE OF INDUSTRIAL MINISTRIES IN THE CENTRAL PEOPLE'S GOVERNMENT, 1955

	Coverage of industries
Producer goods	
Coal Ministry	Coal
Petroleum Ministry	Petroleum
Electric Power Ministry	Electric power
Heavy Industry Ministry	Iron and steel, non-ferrous metals, building materials (cement, timber etc.), basic chemicals (acids, soda, fertilizers)
First Ministry of Machine Industry	Engineering (machine tools, various kinds of light and heavy machinery and equipment)
Third Ministry of Machine Industry	Local, as distinguished from national, engineering enterprises
Consumer goods	
Textile Industry Ministry	Cotton and other textiles
Light Industry Ministry	Food and drinks (flour, oils and fats, sugar, salt, beer, canned food etc.), cigarette, paper, drugs, rubber products, etc.

Source: NCNA and *People's Daily*.
Note: The Second Ministry of Machine Industry is presumably in charge of defence industries, on which official press releases have been silent.

1. *Ibid*, 17 August and 31 October 1955.
2. *People's Daily* editorial, 20 February 1955.
3. NCNA, Peking 22 April 1955.
4. *People's Daily* editorial, 20 February 1955.
5. *Ibid*, 7 December 1954.
6. *Ibid*. 6 January 1955.
7. *Ta Kung Pao*. Tientsin, 15 March 1955.
8. *Ibid*, 15 March 1955.
9. NCNA, Peking, 18 March 1955.
10. "Li Fu-chun reports on Five-Year Plan to Young Activists' Conference", NCNA, Peking, 28 September 1955.
11. *People's Daily* editorial, 1 April 1955.
12. NCNA, Peking, 17 August and 28 September 1955.

Further, under the First Five-Year Plan the share of "means of production" in the total gross value of industrial output is expected to rise from 39.7 in 1952 to 45.4 per cent in 1957, with a corresponding fall in the share of consumer goods from 60.3 per cent to 54.6 per cent. During the first half of 1955, it stood at 43.8 per cent.[1] It may be noted, however, that the output of consumer goods in absolute terms has risen in recent years, despite a fall in its share in total industrial output.

TABLE 41

CHINA: INDEX OF INDUSTRIAL PRODUCTION ON THE MAINLAND, 1953-55

(1952=100)

	1953[a]	1954[b]	1955[c]
Producer goods			
Coal	109	131	146
Petroleum, crude	144	183	220
Power	126	151	173
Pig iron	119	162	194
Steel	131	164	200
Rolled steel	134	157	213
Copper	136	158	..
Lead	176	317	..
Zinc	150	197	..
Cement	135	161	196
Timber	167	210	..
Sulphuric acid	136	181	..
Ammonium sulphate	125	165	179[d]
Machine cutting tools	149	[e]	[e]
Ball bearing	185	321	..
Steam boilers	227	236	..
Generators	198	206	..
Transformers	168	168	..
Consumer goods			
Cotton yarn	113	127	..
Cotton cloth	114	129	..
Paper	115	150	..
Sugar	108	126	149[f]
Cigarettes	136	143	..
Total industrial production	131	154	162[g]

a. *The 1953 Communique, op. cit.*
b. *The 1954 Communique on National Economic Development and Fulfilment of the State Plan*, in *People's Daily* or NCNA, 23 September 1955; Li Fu-chun, *op. cit.*; Po I-po's statement to the First National People's Congress, in *People's Daily*, 28 July 1955.
c. "Li Fu-chun reports on Five-Year Plan to Young Activists' Conference", NCNA, Peking, 28 September 1955.
d. NCNA, Peking, 12 November 1955.
e. Reported to be below the 1953 level (*1954 Communique*).
f. *Ibid.*, 29 April 1955.
g. Li Hsien-nien, "1954 final account and 1955 budget", in *People's Daily*, 10 July 1955.

Fuel and power

Coal output,[2] mostly from the North and North-East, has risen steadily in recent years. In the first half of 1955, the output from the State-owned mines rose by 11.6 per cent over the corresponding period a year before.[3] Most of the increase came from the re-equipped and newly-opened mines. The planned rise in the year's State investment, 50 per cent over 1954,[4] carries forward the campaign to modernize the method of coal mining.[5]

Despite recent increase, the output of crude *petroleum* and petroleum products is still low, and even after completion of the First Five-Year Plan "it will not be possible to effect a radical improvement in the retarded state" of the industry.[6] In 1955, the Ministry of Fuel Industry decided to allocate 44 per cent more funds to expand the industry, with appropriations for oil prospecting equal to 69 per cent of the total spent in the five years since 1949.[7] It is planned to accelerate the development of the Yumen oil-field and continue restoration of the equipment for shale-oil refining in the North-East.[8]

The output of *electricity* increased by 20 per cent to 10,960 million kWh in 1954.[9] A further rise of 18.3 per cent is reported to have taken place during the first half of 1955, as compared with the corresponding period a year before.[10] In 1955, 30 plants (newly built or reconstructed) were expected to be brought into operation to raise the generating capacity of mainland China by 20 per cent;[11] of these, work is reported to have begun on 10 thermal power plants in Shihchiachuang, Taiyuan, Lanchow, Hwainan and Hsinichssu, and 2 hydro-power plants on the Shangyu and Yili Rivers.[12] The Ministry of Fuel Industry has decided to increase the investment in thermal plants by 55 per cent and that in hydro-power plants by 66 per cent, as compared with 1954.[13]

Hydro-power resources are estimated to approximate 150 million kW, with 65 per cent concentrated in the South-West.[14] Sixty-six per cent more funds will be allocated to hydro-power development in 1955 than in 1954.[15] The largest hydro-power station, in Hsiao-fengman on the Sungari River in the North-East, completed under the Japanese in 1943 with a capacity of 280,000 kW but partly dismantled after the second world war, is being restored; its generating capacity is expected to reach 567,000 kW by 1959. At present six more hydro-power projects are under construction, of which those at the Kwanting Reservoir near Peking and at Shihtsutan on the Lungki River in Szechwan are the most important.[16]

Iron and steel

The output of pig iron rose to about 3 million tons, or by 36 per cent in 1954, as compared with 19 per cent in 1953. Iron ore is mined and smelted in Anhsan, Penki, Shihchinshan, Lungyen, Yangchuan, Tayeh, Chungking, Maanshan and other areas, and existence of large deposits near Paotow in Inner Mongolia Autonomous Region has, among other things, prompted the State to erect a large iron-and-steel works there.

1. For 1952 and 1957 see Li Fu-chun, *op. cit.*, and NCNA, Peking, 17 August 1955; for the first half of 1955 see NCNA, Peking, 7 August 1955.
2. It is not clear whether coal output refers to "crude coal" output, which is apt to be larger than the actual amount of coal produced, as a result of the extraneous material mined along with the coal. (See *People's Daily*, 20 April 1953).
3. NCNA, Peking, 14 July 1955.
4. NCNA, Peking, 15 April 1955.
5. Such modernization in the State-owned mines had increased the proportion of coal mined by new methods from 13 per cent in 1949 to 79.7 per cent in 1954 and the proportion of coal obtained by mechanical mining from 4.2 per cent in 1950 to 33.6 per cent in 19544. (*People's Daily*, 14 April 1955). The increased mechanization in coal mining has raised labour productivity to over three tons per man-shift, thus trebling the 1950 average. (NCNA, Peking, 24 November 1955).
6. Li Fu-chun, *op. cit.*, p. 17.
7. 50 prospecting teams are continuing work on the six oil-bearing structures discovered in 1954, with a view to discovering 80 per cent more oil deposits. (See NCNA, Peking, 20 April 1955).
8. "Main tasks of the petroleum industry set for 1955", NCNA, Peking, 3 November 1954.
9. Li Fu-chun, *op. cit.*
10. NCNA, Peking, 15 July 1955.
11. *Ibid*, 6 January and 24 March 1955.
12. *Ibid*, 11 May 1955.
13. *People's Daily*, 23 January 1955.
14. *People's Daily*, 25 Arpil 1955.
15. NCNA, Peking, 11 March and 16 April 1955.
16. *Ibid*, 16 August 1955.

The output of steel, chiefly from Anshan, but also from other centres such as Taiyuan, Chungking, Tientsin, Tangshan and Shanghai, rose by 25 per cent to 2.2 million tons in 1954, owing to increased State investment and greater labour effort. During the half of 1955 the steel output reached 1.35 million tons, and is expected to rise to 2.7 million tons for the whole year.[1] In Anshan, 17 major projects, largely dismantled immediately after the war, are reported to have been restored or completed by August, including a heavy rolling mill, a seamless tubing mill, a sheet-steel mill, 4 automatic blast furnaces, 8 coke-oven batteries, an iron-ore dressing plant, and an iron sintering plant.[2] In addition, two new iron-and-steel combines will be constructed in Wuhan and Paotow,[3] the first stage in the construction of which is expected to be completed by 1961-62.

Engineering

The engineering industry is reported to have made rapid progress, although one half of the newly installed machinery and equipment is still imported from abroad.[4] The output in 1954 showed a rise of 25 per cent over 1953. In 1955, 40 per cent more investment is planned for the building and reconstruction of 114 projects, of which the 22 major ones will include the No. 1 machine-tool plant in Shenyang and a power-equipment plant and an electrical-instruments plant in Harbin, all to be completed during the year, as well as plants to make heavy machinery, ball bearings, low-voltage switch gear, boilers and steam-turbine generators. Preparations are also being made to build factories making petroleum-extracting and refining machinery, locomotives and mining machinery.[5]

Cement

Cement output rose from 2.9 million tons in 1952 to 4.6 million tons in 1954, through increase in capacity.[6] In 1955, a further rise of 22 per cent over the 1954 level is planned.[7] Old plants, including those in Canton (Sai Tsun), Nanking (Kiangnan), Tangshan (Hua Hsin), Penki and Harbin, have been restored to production or expanded. New plants also are being built; these include one in Tatung, the first mechanized plant; one in Szechwan, the biggest in the South-West; one in Lanchow, the first in the North-West; and one each in Liulienho (Peking) and Nanping (Fukien province).

Chemicals

Though the development of the industry is still on a moderate scale, an increase of 43 per cent in the production of chemicals in 1954 over 1953 was reported:[8] sulphuric acid 33 per cent, caustic soda 30 per cent, pure soda 39 per cent and ammonium sulphate 32 per cent. In the first half of 1955 production rose by 23.5 per cent over the corresponding period a year before.[9]

In 1954 chemical-fertilizer factories under the Chemical Industry Administrative Bureau of the Ministry of Heavy Industry produced 38 per cent more than in 1953[10] but in 1955 they are expected to produce only 11 per cent more than in 1954. Two thirds of this year's total State investment in the chemical industry is, however, ear-marked for developing the chemical-fertilizer industry.[11]

1. "China's steel output doubled in three years", NCNA, Peking, 1 October 1955.
2. NCNA, Peking, 18 August 1955.
3. Li Fu-chun, *op. cit.*; NCNA, Anshan, 17 August 1955.
4. *People's Daily*, 6 December 1954.
5. NCNA, Peking, 12 and 31 January 1955.
6. Li Fu-chun, *op. cit.*
7. NCNA, Peking, 21 April 1955.
8. NCNA, Peking, 25 December 1954 and 19 January 1955.
9. *Ibid*, 20 July 1955.

Cotton textiles

In 1954 cotton yarn output rose to 4.6 million bales[12] (of 400 lb each) or 836,000 tons, and cotton cloth to 153 million pieces or bolts,[13] or about 2,900 million metres.[14]

During the first three years of the plan (1953-55) 750,000 spindles and 22,000 looms are reported to have been installed.[15] Four mills each with 50,000 spindles and 1,000 looms went went into production in 1954, and four more with double that capacity were scheduled to go into production in 1955; designs are ready for the construction, starting 1955, of another four mills.[16] The industry was however faced with a shortage of domestic cotton in 1955, and had to import from Egypt and other sources. The 1955 crop of raw cotton, for consumption mainly in 1956, is however estimated to have risen over 1954 by one third.[17]

Handicrafts

Handicraft production[18] contributed 21 per cent to the total value of gross industrial (including handicraft) production of Yuan 35,220 million in 1952; the proportion was above 80 per cent in the industrially under-developed areas in the South-West and North-West. In July 1954 the industry was estimated to have had 19.3 million handicraftsmen and workers, producing an annual output value at Yuan 10,000 million.[19] It is stated to have supplied over two thirds of the various farm implements and daily necessities of the peasants.[20]

In order to expand production and export of handicraft products and to exercise control over output, the government has helped to promote the establishment of handicraft producers' co-operatives since 1950. The co-operative membership and annual value of output in 1952 were respectively 200,000 and Yuan 240 million; they are expected to rise in 1955 to 900,000 and Yuan 1,360 million respectively.[21]

10. According to a China News Service despatch from Peking on 19 January 1954, the proposed increase in output in 1954 is 43,000 tons (ammonium sulphate); the total output for the year may thus be estimated at 158,000 tons from the chemical-fertilizer plants under the Chemical Industry Administrative Bureau. In addition, there is the joint State-private Yungli Chemical Works, Nanking, which is reported to be the largest chemical-fertilizer plant in mainland China; its production in 1954 was reported to have risen by 40 per cent over 1953. (NCNA, Nanking, 14 December 1954).
11. NCNA, Peking, 19 April 1955.
12. Premier Chou En-lai, *Report on Government Work*, presented to the first session of the First National People's Congress on 23 September 1954.
13. Li Fu-chun, *op cit.*
14. In 1953 Shanghai's cotton cloth output of 1,100 million metres from mills was equal to 39.87 per cent of the nation's mill cloth output (*People's Daily*, 4 December 1953). The national cotton cloth output from mills would thus be 2,760 million metres in 1953.

    In 1954 the cotton cloth output was reported to have risen above the 1953 level (estimated as above at 2,760 million metres) by 170 million metres, thus giving a total cotton cloth output from mills of 2,930 million metres. (NCNA, Peking, 14 January 1955).

    Li Fu-chun, in his *Report on the First Five-Year Plan for the Development of National Economy*, issued on 5-6 July 1955, stated the total cotton cloth output in 1954 from mills to be 153 million pieces or bolts. Using the above estimate of total cotton cloth output of 2,930 million metres in 1954, one piece or bolt of cotton cloth would average about 19 metres.

    Allowing, according to *People's Daily* dated 23 December 1953, the estimate that 20 per cent of the country's cotton yarn output was used for the purpose of knitting, and assuming such estimate to hold true also for 1954, the quantity of cotton yarn output in 1954 for both power and handloom weaving would be four-fifths of the total estimated cotton yarn output of 836,000 tons, that is, 669,000 tons or 1,470 million lb. This quantity of cotton yarn, when divided by the sum of 153 million bolts from power looms using machine spun yarn and 26 million bolts from handlooms using hand spun yarn (*First Five-Year Plan, op. cit.*), would give an average weight per piece or bolt of 8.2 lb. net of sixing, etc.
15. *Supra*, table 36.
16. NCNA, Peking, 15 January 1955.
17. The cotton mills worked 15 shifts per week during the second and third quarters but 17 shifts during the fourth quarter of 1955, owing to bumper cotton harvest (*Ta Kung Pao*, Hong Kong, 1 November 1955).
18. For a definition of handicraft production, see *supra*, p. 10, footnote 2.
19. *People's Daily*, 14 April 1954; *Daily Worker*, Peking, 12 February 1954.
20. *Daily Worker*, Peking, 12 February 1954.
21. "Li Fu-chun reports on Five-Year Plan to Young Activists' Conference", NCNA, Peking, 28 September 1955.

Railway transport[1]

Railway transport is an important means for redistributing industries, aside from its role in national defence and development of the hinterland.[2]

The First Five-Year Plan proposes to allocate a sum of Yuan 5,671 million to capital construction on railways, or 69 per cent of the total of Yuan 8,261 million for the whole field of "transport, post and tele-communication." Of the sum allotted to railways, 41.7 per cent is to be used for the construction of new lines, and 54.3 per cent for reconstruction and equipment of existing lines (32.8 per cent for reconstruction, 21.5 per cent for acquisition of locomotive and rolling stock). The plan proposes to reconstruct 6,000 kilometres of existing lines and build 4,000 kilometres of new lines, of which 2,640 kilometres will be completed by the end of 1955.[3]

The domestic lines completed during the year include the 314-kilometre Litang-Tsamkong line opposite Hainan Island, the 105-kilometre Fengtai-Shacheng line in the North, and the 90-kilometre Yierhshiih-Taheikou forest railway in the North-East. The 685-kiometre Paoki-Chengtu railway is to be completed by 1956, but the 2,800-kilometre Lanchow-Sinkiang line[4] and the 1,100-kilometre Paotow-Lanchow line will probably be only one third built by 1957. The construction of the Yintang-Amoy Railway will extend beyond 1957. It is reported that the railway from Tsining in mainland China to Ulan Bator in the Mongolian People's Republic will be open to traffic, thus linking with the Trans-Siberian Railway and shortening the distance from Peking to Moscow by over 1,000 kilometres, before the end of 1955.[5]

In his statement to the First National People's Congress on 23 July 1955, Teng Tai-yuan, Minister of Railways, stated that 40 per cent of the capital construction work contemplated for railways under the First Five-Year Plan had been completed during the first two and a half years; he proposed a reduction of the total allocation for capital construction in railways during the five year period by Yuan 174 million or 26.9 per cent.[6]

The First Five-Year Plan envisaged an increase over 1952 by 100 per cent in the volume of railway freight carried and by 60 per cent in the volume of passenger traffic. The annual rate of growth has, however, slowed down from 1953 for passenger traffic and from 1954 for freight traffic. The Minister of Railways expressed concern over the rapid growth of freight traffic expected after the First Five-Year Plan period, especially in 1959-60, as the 694 above-norm industrial projects, especially the 156 USSR-aided projects, are expected to come to completion by that time and will impose a heavy traffic burden on the railways.[7]

Since 1 January 1954 mainland China has operated an international joint rail transport service[8] with 10 other nations —Albania, Bulgaria, Czechoslovakia, the Democratic People's Republic of Korea, the German Democratic Republic, Hungary, the Mongolian People's Republic, Poland, Rumania and the USSR. Beginning 1 August 1955, through traffic has commenced with the railways in the Democratic Republic of Viet-Nam, through the opening to traffic of the Hanoi-Munnankwan Railway.[9]

Industrial quality

The fulfilment of quantitative targets for industrial production has sometimes been achieved at the expense of quality. In June 1954, attention was drawn to the "prominent defects" in industrial production, which included "variable standard of quality of products and increase of rejected and inferior products in some State-operated factories and mines."[10] Further, there was stated to be a tendency toward deterioration in quality of some products, *e.g.* cement, iron casting, cotton thread and cigarettes. Many factors were held responsible for this—different forms and degrees of conceit or self-complacency among the leading personnel of certain factories and mines, one-sided simple-task viewpoint of such personnel stressing quantity at the expense of quality, lack of definite quality norms and technical work rules or failure to supplement or revise them, and lack of strict technical testing of raw materials, of technical control in mechanical processes, of inspection of products, etc. To remove these factors and over-come the defects in industrial quality, it is proposed to raise the consciousness of workers and educate them on the importance of attaining quality targets, to introduce systems of strict technical control and examination, to formulate standards for industrial departments of ministries and eventually national standards, and to strengthen inspection and supervision of industrial production.[11]

FINANCING OF DEVELOPMENT

In mainland China economic and social development has been financed primarily by domestic capital accumulation, but partly by external assistance from the USSR.

Aside from the liquidation of foreign investment and removal of "bureaucratic capitalists" and landlords, which helped to increase the share of the State in the existing capital stock, new capital formation is being carried out through ordinary taxation on the one hand, and receipts from the State enterprises on the other. Contributions, mainly compulsory, to the various campaigns sponsored by the government, *e.g.* arms donation for the Korean war, and floatation of domestic bond issues for reconstruction and other purposes, have brought in smaller sums than the first two sources.

1. For a fuller account of earlier developments see *Economic Survey of Asia and the Far East, 1954*, pp. 103-104, which also included a railway map of China in 1954.
2. Li Fu-chun, *op. cit.*; Minister of Railways Teng Tai-yuan's statement to the First National People's Congress, in *People's Daily*, 23 July 1955.
3. At the end of 1954, 1,400 km of track had been constructed out of the 4,000 km to be built under the Plan; 1,240 km were planned to be laid in 1955. (NCNA, Peking, 30 October 1955). Among the new lines to be built are some that not only "have a long mileage", but also "involve stupendous engineering feats in crossing deserts and towering mountain ranges", (Li Fu-chun, *op. cit.*, p. 13; also his report to Young Activists' Conference, NCNA, Peking, 28 September 1955) *e.g.* (1) Lanchow-Sinkiang railway which traverses Kansu and Sinkiang provinces, (2) Paoki-Chengtu railway connecting North-West and South-West China, (3) Yintang-Amoy railway linking Kiangsi and Fukien provinces, and (4) Tsining-Erlien railway linking mainland China, the Mongolian People's Republic and USSR.
4. An aerial survey for the 1,900-km stretch of the line from Yumen to the Sino-USSR border has recently been completed. (NCNA, Peking, 12 September 1955).
5. Reuter's despatch from London, 7 December 1955.
6. As a part of the campaign against waste, it is proposed to reduce the number of sleepers from 1,840 per km to 1,600 per km, and to make the roadbed thinner. (NCNA, 21 June 1955).
7. Teng Tai-yuan, *op. cit.*
8. China News Service, Shanghai, 5 April 1955.
9. NCNA, Nanking, 1 March 1955; *Ibid*, Peking, 27 July 1955.
10. *People's Daily*, 5 June; 1954. During the first quarter of 1955, of the products from the Ministry of Heavy Industry, 4,632 tons of pig iron, owing to an excessive sulphur content, did not attain specified standards: so also 30 per cent of the large-size steel bars for bridges, owing to defects in their chemical contents. Of the products from factories under the First Ministry of Machine Industry, 90 per cent of the 322 fiifty-ton railway wagons built, as well as 380 lathes, had to be rebuilt because of failure to meet specifications, while 40 per cent of the ploughs and shovels had to be scrapped for the same reason.
11. "For improved quality of products", *People's Daily*, 5 June 1954. See also *Ibid*, 13 December 1954 and 10 January 1955.

The foreign-exchange requirements for imports of capital goods have been met primarily through agricultural exports, but to a limited extent also by means of loans from the USSR.[1] The extent of success in achieving increases in agricultural production for export may be expected to determine largely the extent to which the plan for industrialization in mainland China can be fulfilled.[2]

Fiscal measures

Domestic financial resources for development are mobilized by fiscal measures implemented annually through the State budget.

During the six-year period 1950-55 for which budget figures are available,[3] both government receipts and expenditures have risen considerably, the former by 4.0 times and the latter by 4.4 times. There was a surplus in four years and a deficit in two years, which reached 7.7 per cent of total expenditure in 1953 and is estimated to reach 6 per cent in 1955.

1. *Infra*, p. 98, footnote 2.
2. *Infra*, section on "Foreign trade."
3. Final accounts for 1950-54 and budget estimates for 1955. Price movement over the period 1950-55 has generally been neutral. (See *Economic Survey of Asia and the Far East, 1954*, p. 109 and *infra*, section on "Price situation" p. 98.)

TABLE 42

CHINA: DISTRIBUTION OF GOVERNMENT RECEIPTS AND EXPENDITURES ON THE MAINLAND, 1950—55

A. GOVERNMENT RECEIPTS

	TAXES				Receipts from State enterprises	Other	Total
	Industry and trade	Agriculture	Other	Total			
	Amount in million Yuan						
1950	3,008	1,890	—	4,898	870	1,176	6,943
1951	5,947	2,166	—	8,113	3,054	3,042	14,208
1952	7,021	2,601	—	9,622	4,658	4,648[a]	18,928
1953	9,252	2,905	—	12,157	7,545	1,846	21,548
1954	8,972[b]	3,277[b]	—	13,218[b]	9,962	3,057[c]	26,237
1955 (estimate)	10,000	2,800	981	13,781	11,116	3,153[d]	28,050
	Per cent of total receipts						
1950	43.3	27.2	—	70.5	12.5	16.9	100.0
1951	41.9	15.2	—	57.1	21.5	21.4	100.0
1952	37.1	13.7	—	50.8	24.6	24.6	100.0
1953	42.9	13.5	—	56.4	25.0	8.6	100.0
1954	34.2[b]	12.4[b]	—	50.4[a]	38.0	11.6	100.0
1955 (estimate)	35.7	10.0	3.5	49.1	39.6	11.2	100.0
	Index (1950=100)						
1950	100	100	—	100	100	100	100
1951	196	114	—	166	351	267	205
1952	231	134	—	196	536	395	273
1953	308	154	—	248	870	157	310
1954	295	173	—	270	1,145	260	378
1955 (estimate)	332	148	—	281	1,277	268	404

a. Including Yuan 251 million under credit and insurance.
b. The totals, as given, do not add up correctly.
c. Including Yuan 236 million excess receipts from bonds and loans from the USSR.
d. Including loan for military supplies transferred to the Government upon evacuation of Soviet Union troops from Port Arthur and 1955 economic construction bond of Yuan 600 million.

B. GOVERNMENT EXPENDITURES

	National economic construction	Social, cultural and educational projects	National defence	State administration	Other	Total
	Amount in million Yuan					
1950	1,736	755	2,827	1,313	177	6,808
1951	3,511	1,344	5,061	1,746	241	11,902
1952	7,307	2,233	4,278	1,934	570	16,322
1953	10,353	3,481	5,225	2,378	1,913	23,350
1954	12,358	3,461	5,814	2,162	838	24,632
1955 (estimate)	14,189	3,851	7,193	2,242	2,262	29,737
	Percentage of total expenditure					
1950	25.5	11.1	41.5	19.3	2.6	100.0
1951	29.5	11.3	42.5	14.7	2.0	100.0
1952	44.8	13.7	26.2	11.8	3.5	100.0
1953	44.3	14.9	22.4	10.2	8.1	100.0
1954	50.2	14.1	23.6	8.8	3.4	100.0
1955 (estimate)	47.7	13.0	24.2	7.5	7.6	100.0
	Index (1950=100)					
1950	100	100	100	100	100	100
1951	202	178	179	133	136	175
1952	421	296	151	147	322	239
1953	596	461	185	181	1,081	343
1954	712	454	206	164	473	362
1955 (estimate)	817	510	254	170	1,278	437

Sources: Po I-po (Finance Minister), "Report on the 1953 State Budget", in *Ta Kung Pao*, Hong Kong, 18 February 1953; Teng Hsiao-ping (Finance Minister), "Report on the 1954 State Budget," NCNA, Peking, 17 June 1954; Li Hsien-nien, "1954 final account and 1955 budget", in *People's Daily*, 10 July 1955.

Among the government expenditures those on economic and social development claimed 57.3 per cent during this period (43.9 per cent for economic development and 13.4 per cent for social development) and national defence 27 per cent, leaving a balance of 15.7 per cent for administration and other purposes. While the proportion for development has risen from 36.6 per cent (25.5 per cent for economic development and 11.1 per cent for social development) to 60.7 per cent (47.7 per cent for economic development and 13.0 per cent for social development) during the six-year period, that for national defence has declined from 41.5 per cent to 24.2 per cent.

Economic and social development, like other government activities, has been financed mainly by taxation and receipts from State enterprises, which contributed 53.3 per cent and 32.1 per cent respectively during the six-year period. The remaining 14.6 per cent of total government receipts has been derived from domestic and foreign borrowing and other sources.

The 1955 budget

The 1955 budget, as presented to the second session of the National People's Congress on 10 July 1955, proposes total government receipts of Yuan 28,050 million and total government expenditure of Yuan 29,737 million, indicating a deficit of Yuan 1,687 million or 6 per cent of the total government expenditure. This deficit arises from a disparity in the rates of increase over 1954 for government receipts (7 per cent) and government expenditure (21 per cent). The rise in 1955 expenditure over 1954 is 23 per cent for defence, 14 per cent for economic and social development, and 4 per cent for administration; this compares with the 1954 rates of increase over 1953 of 11, 13 and –10 per cent respectively. The reason for the slightly higher rate of increase in total outlay on economic and social development in 1955 than in 1954 is that "the first and foremost task of the 1955 budgetary expenditure is, in accordance with the plan for the development of the national economy, to ensure the expansion of heavy industry and to develop correspondingly light industry, agriculture, communications and transport, and culture and education."[1]

The 1955 rate of increase for expenditure on State administration, 4 per cent, is the lowest, although it follows upon an actual reduction in 1954 by 10 per cent from the 1953 level. However, with the rapid expansion in total government expenditure since 1950, the proportion of administrative expenditure in total government expenditure has continued to fall, from 19.3 per cent in 1950 to 8.8 per cent in 1954, and to an estimated 7.5 per cent in the budget estimate for 1955.[2]

It is proposed to finance the 1955 budget deficit of Yuan 1,687 million, or 6 per cent of the total government expenditure, by the surplus accumulated during the previous years of Yuan 3,143 million. Even so, it seems that the government is feeling the pressure of heavy investment in economic and social development. In his address on the "Importance of saving in building socialism," delivered on 21 June 1955 at a meeting in Peking attended by leading government members, representatives of parties and people's organizations and deputies to the National People's Congress, Li Fu-chun, Vice-Premier and concurrently Chairman of the State Planning Commission, stressed the need for rigid economy to promote capital formation and achieve socialist industrialization.[3] According to Li, investment in non-productive undertakings (*e.g.* auxiliary buildings such as offices, dormitories, canteens, etc.) by the six central industrial ministries during the past two years amounted to 23.2 per cent of the total State investment, whereas during the First Five-Year Plan in the USSR such investment constituted only 15.5 per cent.

Immediately following Li's address, downward revisions of investment plans for capital construction were announced by various central ministries: (1) for 1955-57: Ministry of Textile Industry Yuan 700 million, Ministry of Railways Yuan 590 million, Ministry of Local Industry Yuan 120 million, and Ministry of Commerce Yuan 50 million; (2) for 1955: Ministry of Fuel Industry Yuan 120 million and Ministry of Heavy Industry Yuan 90 million.[4] For the six cities of Shengyang, Port Arthur-Dairen, Anshan, Fushan, Penki and Fuhsin, a reduction of capital construction by Yuan 106 million was proposed.[5] The State Council proposed that during 1955-57 a total cut of Yuan 2,000 million should be effected in the appropriation for capital construction.[6]

Growth of State outlay

The growth of State outlay[7] on economic and social development since 1950 has been most impressive. Absolutely, development outlay rose from Yuan 2,491 million in 1950 to Yuan 15,819 million in 1954 and is expected to rise to Yuan 18,040 million in 1955, or more than 7 times the 1950 figure. Relatively, the proportion of State development outlay in total government expenditure has risen from 36.6 per cent in 1950 to 64.3 per cent in 1954, though it is planned to decline to 60.7 per cent in 1955.

Of the total State outlay on economic and social development, the proportion for social development (social, cultural and educational projects) declined from 30.3 per cent in 1950 to 27.7 per cent in 1951 and 23.4 per cent in 1952, rose to 25.2 per cent in 1953, declined again to 21.9 per cent in 1954 and was planned to decline further to 21.3 per cent in 1955.

Data for 1953-55 on the distribution of State outlay on economic development by fields show industry[8] at 45-47 per cent, transport and communications 15-18 per cent, agriculture (including forestry, water conservancy and meteorological services) 9-11 per cent, and others 24-31 per cent. The commerce, food and foreign trade category, only 4.3 per cent in 1953, claimed 14.3 per cent in 1954, and was planned to reach 20 per cent in 1955, because of implementation of the policy of State purchase and supply of foodgrains, edible oils, raw cotton, cotton textiles and certain other commodities designed mostly for export.

1. Li Hsien-nien, "1954 final account and 1955 budget", in *People's Daily*, 10 July 1955.
2. The *People's Daily*, in an editorial on 17 April 1955 on the subject, considered the reduced percentage expenditure (8.8 per cent) in 1954 to be "by no means small", for "in the Soviet Union, expenditure of the nature only took up 5 per cent of the total expenditure of the country during the period of the First Five-Year Plan". It went on to suggest: "if we can retrench the personnel and simplify the organic structure of all the organs and effect an economy in all unnecessary and non-productive expenditure by having the administrative expenditure further lowered by 2 per cent (reckoned on the basis of the absolute figures for 1953), in the course of five years, we will be able to save enough for the building of an iron-and-steel complex with about 30 plants capable of producing 3 million tons of steel a year".
3. NCNA, Peking, 21 June 1955.
4. *Ibid*, 21 June and 3 July 1955; *People's Daily*, 14 May and 22, 26 and 28 June 1955.
5. Statement by Deputy Li Tao to the second session of the First National People's Congress, in *People's Daily*, 25 July 1955.
6. *People's Daily*, 24 July 1955.
7. The term "outlay" as frequently used by the government covers mainly investment, but also certain administrative items.
8. In 1954 heavy industry's share was 78.3 per cent and light industry's 21.7 per cent of the total State outlay for industry.

TABLE 43

CHINA: DISTRIBUTION OF GOVERNMENT DEVELOPMENT EXPENDITURE ON THE MAINLAND, 1953-55

(Amount in Million Yuan)

	1953	1954	1955	1953 — 1955		1953 — 1957[a]	
				Amount	Per cent	Amount	Per cent
Economic construction	10,353	12,358	14,189	36,900	77.4	62,370	83.4
Industry	4,763	5,738	6,388	16,889	35.4	31,320	40.9
Heavy industry	..	4,393	5,698	..	..	..	..
Light industry	..	1,245	690	..	..	..	..
Agriculture, forestry, water conservancy and meteorological services	1,177	1,375	1,312	3,864	8.1	6,100	8.0
Communication and transport	1,885	1,864	2,146	5,895	12.4	11,110	14.5
Commerce, food and foreign trade	448	1,761	2,845	5,054[b]	10.6	2,160[b]	2.8
Other	2,080	1,620	1,498	5,198	10.9	11,680	15.2
Culture, education and social welfare	3,481	3,461	3,851	10,793	22.6	14,270	18.6
Cultural, educational and public health projects	..	..	3,186	..	..	..	..
Pension and social relief	..	..	601	..	..	..	..
Other	..	..	63	..	..	..	..
Total	13,834	15,819	18,040	47,693	100.0	76,640	100.0

Sources: Po I-po (Finance Minister), "Report on the 1953 State Budget", in *Ta Kung Pao*, Hong Kong, 18 February 1953; Teng Hsiao-ping (Finance Minister), "Report on the 1954 State Budget", NCNA, Peking, 17 June 1954; Li Hsien-nien, "1954 final account and 1955 budget", in *People's Daily*, 10 July 1955.

a. Figures are from *supra*, table 35.

b. The smaller total for 1953-57 than for 1953-55 is accounted for by the inclusion of Yuan 6,900 million as circulating capital under "Other" in the Five-Year Plan.

Sources of government revenue

The major sources of revenue of the Central People's Government have been taxation and receipts from State enterprises, which together contributed 83.1 per cent of the total government receipts in 1950 and 88.4 per cent in 1954; in 1955 they were expected to contribute 88.7 per cent. The third source, mainly external loans and domestic bond issues from 1953 onward, has tended to decline in relative importance.

The most outstanding development in recent years has been the steady rise in receipts from the State enterprises,[1] from 12.5 per cent of the total government receipts in 1950 to 21.5 per cent in 1951, and 38 per cent in 1954; in 1955 it was planned to rise slightly to 39.6 per cent. The extension of State trading to foodgrains, vegetable oils, raw cotton and other agricultural commodities mainly designed for export, accounted for the expansion of receipts from State enterprises, which jumped from Yuan 4,658 million in 1952 to Yuan 7,545 million in 1953, Yuan 9,962 million in 1954, and an estimated Yuan 11,116 million in 1955.

The decline in the proportion of taxation in total government receipts, from 70.5 per cent in 1950 to 50.4 per cent in 1954 and to an estimated 49.1 per cent in 1955, is explained largely by the fall in the share of agricultural taxes in total government receipts, from 27.2 per cent in 1950 to 12.4 per cent in 1954 and to an estimated 10 per cent in 1955. (The share of taxes on industry and trade declined from 43.3 per cent in 1950 to 34.2 per cent in 1954, with a slight estimated rise to 35.7 per cent in 1955). The reduced importance of agricultural taxes is partly offset by the growing contribution by the peasants to the receipts of State enterprises; the latter receipts are derived largely from transactions with the peasants, from whom the State enterprises, through the medium of various types of co-operatives, buy agricultural products and to whom they sell agricultural requisites and essential consumer goods.

In a classification of the government receipts given in the Finance Minister's budget statements for 1954 and 1955, it is shown that while the share contributed by State, co-operative and joint State-private sectors of the economy has risen from 66.31 per cent in 1953 to 70.55 per cent in 1954 and to an estimated 76.02 per cent in 1955, the share of the private sector has declined to 33.69, 29.45 and 23.98 per cent in those years respectively. Among the reasons given for such changes are "greater increase in the socialist sector of the economy and further transformation of private enterprises into joint State-private enterprises."[2]

Foreign trade[3]

In 1954 the foreign trade of mainland China increased by 4.5 per cent over 1953 to Yuan 8,487 million (equal to $3,600 million if converted at the official rate $1=Yuan 2.355). As in 1953, the trade is stated to have been balanced. During the first eight months of 1955 imports and export were nearly 13 per cent higher than the corresponding period in 1954.[4] Under the First Five-Year Plan, total trade in 1957 is expected to be 65 per cent above the 1952 level.

An analysis of the imports indicates the priority given to a rapid increase in the rate of capital formation. 88.5 per cent of the imports in 1954 consisted of "means of production" (complete sets of industrial equipment, rolled steel, non-ferrous metals, fertilizers, chemicals and raw materials).

1. According to Li Hsien-nien, *op. cit.*, a good part of the funds that formerly appeared in the budget as taxes paid by private business appeared in the 1954 budget as earnings or receipts of State enterprises after the State further extended its control over private business during the year. A large part of the earnings or receipts of State enterprises are in effect taxes on consumers.

2. Li Hsien-nien, *op. cit.*

3. The principal sources for this section include Minister of Foreign Trade Yeh Chi-chung's statement to the second session of the First National People's Congress on 30 July, in *People's Daily*, 30 July 1955 and NCNA, Peking, 30 July 1955.

4. NCNA, Peking, 4 October 1955.

Conumer goods, such as sugar, cloth, paper, drugs and kerosene, accounted for only 11.5 per cent of the import trade during the year. During 1955-57 the imports will consist mainly of items required for the implementation of the 156 USSR aided projects under the First Five-Year Plan, as well as other projects envisaged by the Plan.

In the export trade,[1] there was a reduction of 36 per cent below the 1953 level for edible oils, although the foodgrain export showed a slight rise. There were also increases in the export of other agricultural products (tea, silk, tung oil, tobacco leaf, camphor, raw paint, fruits and nuts, Chinese herb medicine, etc.), animal products (pork, intestines, eggs, hides and skins, feathers, wool[2] etc.), mineral products and handicraft products. In 1954 mainland China began to export products from light industries such as wires, nails, thermos bottles, fountain pens, knitted goods, cotton yarn and cloth, to a total value of Yuan 150 million, mainly to the countries of South-East Asia. In the remaining years of the Five-Year Plan period, it is said that export of foodgrains and edible oils is expected to be at the 1954 level.[3]

Exports of various products were in the following proportion to total domestic consumption during 1954: pork 6 per cent, eggs 10 per cent, apples 18 per cent, tea 27 per cent, filature silk 63 per cent. In that year 25 per cent of the total output value of 21 agricultural products—including tobacco leaves, jute, resin, almond and liquorice—was exported, but in 1955 the proportion to be exported was planned to be reduced to 18 per cent.[4] The level of export for some of the staple products is still below the pre-war level: in 1954 tea export was only 65 per cent of the 1936 level, and filature silk export only 32 per cent of the 1931 level.

In order to ensure the supply of export products to pay for the import of capital goods, it is proposed to hold down domestic consumption on the one hand, and expand production and State purchase on the other. Targets are fixed under the Five-Year Plan to raise production of major exports, and a further effort is to be made to increase State purchase, for which the purchasing prices are not expected to fluctuate as widely as in 1953.

A substantial portion of mainland China's trade—about 80 per cent—is carried on with the USSR and Eastern Europe. Imports from those countries consist mainly of industrial equipment and materials, but also include certain consumer goods like kerosene, drugs, and chemicals; while exports consist of those mentioned above. The prices are stated to have been fixed over a period of years by negotiation, with annual adjustments for certain products if necessary, but little is kown regarding the terms on which such trade has been conducted.

Trade with countries other than the USSR and Eastern Europe, which declined from the second half of 1951 under the United Nations embargo on the export of strategic materials to mainland China, rose again in 1953. In 1954, about Yuan 1,700 million (or $720 million if converted at the official rate of Yuan 2.355 to the dollar) or one fifth of the total trade was officially stated to have been with these countries, although a compilation from statistics of trading partners gave a lower total of $624 million, as compared with the official figure of about $720 million. (see table 44). The derived statistics also indicate that trade in the first half of 1955 rose to $350 million, as compared with $272 million for the corresponding period a year before. During the same period the exports from mainland China to these countries rose by 40 per cent, as compared with a 10 per cent increase of imports.

1. The State-owned Domestic Products Export Company is reported to have invested in 1954 a total amount of currency equal in purchasing power to 1,972,000 tons of foodgrains. (*People's Daily* editorial, 15 July 1955).
2. 1954 wool export is stated to have been double the 1950 figure in *Ta Kung Pao*, Tientsin, 21 July 1955.
3. However, in view of the importance of foodgrains and edible-oils export in total exports, it would be difficult to finance development imports on an increasing scale as envisaged by the government, without significant expansion of exports other than foodgrains and edible oils.
4. *People's Daily* editorial, 15 July 1955.

TABLE 44

CHINA: TRADE ON THE MAINLAND WITH COUNTRIES OTHER THAN USSR AND EASTERN EUROPE, 1938, 1948, 1950-55

(Million US$)

Year	Total	Exports	Imports	Balance
1938	541	231	310	−79
1948	1,116	553	563	−10
1950	1,060	540	520	20
1951	1,067	539	528	11
1952	593	323	270	53
1953	675	395	280	115
1954	624	342	282	60
First half	272	163	109	54
1955				
First half	350	231	119	112

Source: Prior to 1955, United Nations, *Monthly Bulletin of Statistics;* for 1954-55 first half, derived figures from United Nations, *Direction of International Trade.*

TABLE 45

CHINA: TRADE ON THE MAINLAND WITH COUNTRIES OTHER THAN USSR AND EASTERN EUROPE DURING THE FIRST HALF OF 1954 AND OF 1955

(Million US$)

	Exports		Imports	
	1954	1955	1954	1955
Asia	105.6	153.6	57.9	55.8
Ceylon	17.6	11.8	17.9	9.6
Hong Kong	53.0	70.9	31.9	21.4
India	0.7	2.5	0.7	5.3
Indonesia	1.7	5.6	0.2	2.1
Japan	17.7	45.1	4.7	14.7
Malaya	14.9	17.7	2.5	2.7
Western Europe	44.8	56.9	36.9	49.9
France	4.4	4.1	5.4	3.3
Germany, west	16.0	17.6	8.0	13.6
Italy	0.8	1.7	3.6	—
Netherlands	2.2	3.7	—	1.8
Switzerland	5.5	8.0	10.0	12.0
United Kingdom	10.8	16.1	8.2	11.8
Others	5.1	5.7	1.7	7.4
Africa	5.3	14.7	10.3	8.1
Egypt	0.3	0.5	10.3	8.1
Others	5.0	14.2	—	—
Others	7.7	5.5	3.7	5.0
Total	163.4	230.7	108.8	118.8

Source: Derived figures from returns of trading partners compiled by the United Nations Statistical Office.

Table 45 gives break-downs by origin for imports into mainland China and by destination for exports from mainland China, from and to countries other than the USSR and eastern Europe, for the first half-year period in 1954 and in 1955. The major trading partners during the two periods were shown to be, in order of importance within each area, Hong Kong, Japan, Ceylon, Malaya, India and Indonesia in Asia; West Germany, the United Kingdom, Switzerland, France, the Netherlands and Italy in western Europe; and Egypt in Africa.

In the first eight months of 1955, trade with the USSR and eastern Europe registered a 10.8 per cent increase over the corresponding period in 1954 and trade with South-East Asia and other countries a 22.4 per cent increase.[1]

External assistance

As reported in the 1954 *Survey*, external assistance since 1950 has been mainly from the USSR, including (1) a five-year loan of $300 million in February 1950, (2) transfer without compensation in 1952 of the Chinese Chang-chun Railway, (3) provision for technical and other aid in September 1953 to build or rebuild 141 key industrial enterprises during 1950-59, and (4) an agreement in October 1954 providing for: (*a*) a long-term loan of 520 million rubles (equivalent to $130 million at the official rate) for building 15 additional industrial enterprises[2] and for supplying equipment to an amount of 400 million rubles (equal to $100 million at the official rate) to the 141 key industrial enterprises; (*b*) joint construction of a railway from Lanchow through Urumchi (on Chinese territory in Sinkiang province) to Alma Ata (on USSR territory) with USSR technical assisitance; (*c*) joint construction of a railway from Tsining in the People's Republic of China to Ulan Bator in the People's Republic of Mongolia to link with the Trans-Siberian railway branch leading to Ulan Bator; (*d*) transfer with compensation, starting from 1 January 1955, of USSR shares in the four joint Sino-Soviet companies set up in 1950-51 in accordance with the 1950 Treaty, to the People's Republic of China; and (*e*) a five-year agreement for scientific and technical co-operation.

By the end of 1954, 19 of the USSR aided industrial projects had been completed or partly finished for operation, including the heavy steel rolling mill, the seamless steel tubing mill and the sheet steel mill of the Anshan Iron and Steel Company, and the Haichow Open-cut Mine in Fuhsin.[3]

In February 1955, most of the gift machinery from the USSR to the Friendship State Farm in Heilungkiang arrived, including 98 tractors of various types, 100 harvester combines, 128 tractor ploughs, 120 tractor-drawn grain planters.[4] Fourteen experts from the Ministry of Agriculture of the USSR, with the help of the Chinese staff, had already constituted the land regulation and investigation team for the 32,000 hectares of wasteland on which the farm was to be established[5] By late May 10,000 hectares were reported to have been reclaimed, representing 45 per cent of the target area of 22,000 hectares set for 1955.[6]

The USSR is also reported to have concluded an agreement with mainland China on the peaceful use of atomic energy,[7] offering scientific, technical and industrial assistance in promoting research work.

It may be noted however that the People's Republic of China has extended aid, in each case for a sum of Yuan 800 million, to the Korean Democratic People's Republic and the Democratic Republic of Viet-Nam. The total aid of Yuan 1,600 million (or $700 million if converted at the official rate of exchange) to the two countries exceeds the loans so far granted to the People's Republic of China by the USSR.[8]

THE PRICE SITUATION

The officially compiled index of wholesale prices for major commodities in large cities, which employs March 1950 as the base equal to 100, shows a fairly stable level of price movements in December of each year since 1950: 85.4 in 1950, 96.6 in 1951, 90.6 in 1952, 91.7 in 1953, and 92.3 in 1954.[9] On the other hand, retail prices of a number of essential consumer goods in Tientsin, Hankow and other cities increased more than wholesale prices between December 1953 and December 1954. The government abolished in February 1955 to 5-10 per cent reduction in retail prices for goods sold through the supply and marketing co-operatives in the villages and market towns; such an abolition is tantamount to a rise in retail prices in the rural areas.

The currency conversion since 1 March 1955, which provided for (1) the issue by the People's Bank of notes bearing five denominations for the new people's yuan, namely, 1, 2, 3, 5 and 10 yuan, and six denominations for the subsidiary currency, namely, 1, 2, 5, 10, 20 and 50 cents, and (2) the withdrawal from circulation of the old people'e yuan notes and their exchange for the new people's yuan notes at the conversion rate of 10,000 old for one new yuan (in April for old yuan notes in denominations of 10,000 and 50,000 yuan, later for notes in denominations of 5,000 yuan or less), has brought about economy in transactions and accounting. To the extent that any hoarding of old yuan notes still existed before the conversion, the conversion helped to unearth and bring it within the purview of cash control, thus eliminating the idle cash holdings which might possibly contribute to unbalance between the supply and demand for foodgrains in the cities.

The gap between the rise in purchasing power consequent on investment in capital construction and the lagging supply of consumer goods has to be met by rationing of essential consumer goods including foodgrains, edible oils, sugar and cotton cloth. The government, fully aware of the requirements, has consistently tightened rationing procedures and enforcement. Indeed, the almost exclusive dependence upon domestic savings for a high rate of capital formation under the Five-Year Plan prompts the government to maintain an austerity standard of living.[10]

1. NCNA, Peking, 4 October 1955. For a summary of mainland China's recent trade with Asian countries (Burma, Ceylon, India, Indonesia, Japan, Nepal and Pakistan) and Egypt, see Yeh Chi-chuang (Minister of Foreign Trade), "Strive for the development of normal international trade", in *Ta Kung Pao*, Hong Kong, 23 October 1955.
2. The total government investment for the 156 projects under the First Five-Year Plan amounts to Yuan 11,000 million (equal to $4,671 million at the official exchange rate) or above 12 times the two loans of $430 million from the USSR (*People's Daily*, 24 October 1955).
3. NCNA, Peking, 14 February 1955; *Ta Kung Pao*, Tientsin, 13 August 1955.
4. NCNA, Harbin, 7 February 1955.
5. *Ibid*, 8 May 1955.
6. *Ibid*, 21 May 1955.
7. Li Fu-chun, *op. cit.*, section on "How the Soviet Union and the People's Democracies are related to our construction programme".
8. The period covered by the aid, while not specified in the case of the Democratic Republic of Viet-Nam (*People's Daily*, 29 December 1954), is stated to be 1954-57 in the case of the Korean Democratic People's Republic (*Ibid*, 2 January, 1955).
9. *People's Daily*, 23 February 1955.
10. Li Fu-chun, *op. cit.*

There has also been a rise in railway freight and passenger tariffs since 1 June 1955, by order of the State Council. The consolidation of the freight tariff will, for coal for example, involve an increase of 20.8 per cent in the North-East, but a decrease of 18.1 per cent in the North and South. The adjustment of the passenger tariff will involve an increase of 30 per cent for travel on ordinary trains and fast trains, 20 per cent for charges on baggage and ordinary parcels, and 10 per cent for charges on fresh-goods parcels and newspapers, but a decrease of 9 per cent for fares of suburban passenger trains and 18.8 per cent for commuter passenger fares.[1]

Average money wages for the workers and employees of the five central industrial ministries rose by 84 per cent during 1950-53, while State outlay on labour insurance, health, education and social welfare for 35 central industrial departments amounted to 17 per cent of total money wages paid.[2] In 1954, money wages registered a further rise of 2.6 per cent for workers and employees in State and joint State-private owned industrial enterprises. This, however, compared with a 15 per cent rise in labour productivity in these enterprises.[3]

Beginning July 1955 the supply system, applicable to about one third of the public employees, has been replaced by the wage system, whereby the employees affected in the State organs and enterprises will receive payments, no longer in kind but in cash, except in certain special areas where, on account of difficulty of transportation, a scarcity of goods still exists. A price subsidy, in the meantime, is provided, so as to equalize payments arising from price differentials in different localities.

This new order on the enforcement of the money wage system, promulgated by the State Council on 31 August 1955, stresses the principles of "pay according to work" and "equal pay for equal work", and makes it possible to apply a uniform system of pay for public employees. During the long period of revolutionary struggles in the past, certain public employees who were also Party members are stated to have had to live a hard life of "military communism" necessitated by war and by commodity shortage, and to depend upon the State for the provision of daily necessities including food, clothing and housing. Such a system, partly extended to other public employees after 1949, is said to have fulfilled its historical task, now that the revolutionary struggle has come to an end and the national economy has been rehabilitated without threat of inflation. The wage scale in force is considered low, but is expected to rise with the development of the national economy.[4] As a result of the change in the wage system, public employees with large families are expected to suffer a reduction in real income.[5]

Aside from other considerations, the introduction of a money wage system for all public employees suggests confidence of the government in price stability, and recognition of the disadvantages of a complicated system of payments in kind whereby wages and salaries of certain public employees were paid in terms of "commodity units", supplemented by free provision of housing, water and electricity and education. It relieves the State from the task of providing essential consumer goods and services under the supply system to certain categories of public employees.

Type of enterprises	Total in 1953	1953 increase over 1952 (per cent)
Industry (1, 2, 3, 4)	3,890,000	21
Transport and communications (1, 3, 4)	776,000	12
Commerce (1, 2)	1,500,000	12
Finance (1, 3, 4)	377,000	9
Agriculture and forestry (1)	185,000	..
Agriculture (1)	..	13
Capital construction (1, 3, 4)	2,170,000	..
Building and installing equipment	(1,540,000)	..
Industry, transport, commerce and other (4)	4,840,000	..
Total	13,738,000	15

Notes: 1=State-owned enterprises; 2=co-operative enterprises; 3=joint State-private enterprises; and 4=privately-owned enterprises.
Source: State Statistical Bureau, *1953 Communique on National Economic Development and Fulfilment of the State Plan*, 12 September 1954, issued as supplement to *People's China*, 16 November 1954.

1. NCNA, Peking, 19 May 1955.
2. Premier Chou En-lai, "Report on government work to the first meeting of the National People's Congress", delivered on 23 September 1954, in *People's Daily*, 24 September 1954.
3. State Statistical Bureau, "1954 Communique on national economic development and fulfilment of the State Plan", in *People's Daily*, 23 September 1955. The number of workers and office employees in all branches of the economy at the end of 1953 was 13,738,000 distributed by sectors as follows:
4. *People's Daily* editorial, 15 September 1955.
5. *Shih-hsih Shou Tse* (*Current Events Handbook*), 25 September 1955.

Chapter 8. HONG KONG

Hong Kong, with a relatively high *per capita* income for the region,[1] has undergone a rapid industrial development over the past three or four years, following the decline of its entrepot trade with mainland China. Since 1953 this trade decline itself has been partially compensated by a redirection of the trade, and tonnages handled have increased.

Despite these encouraging developments, Hong Kong faces serious long-run problems. The arable land is limited by the rugged nature of the countryside no less than by the smallness of the total area.[2] The population, swollen by the 1949-50 immigration from mainland China, continues to increase at a rate of over 60,000 per annum, which without further immigration is high for a total population of probably under 2½ million. New housing projects must be undertaken, new schools built,[3] new medical facilities provided, and new jobs found in industries, which, while still expanding, are beginning to face marketing problems.

Aside from the prospect of its trade with mainland China, the continued expansion of Hong Kong's economy depends upon the industrial sector, and industrial development depends in turn upon the efficient utilization of Hong Kong's scarce factor of production—land. The government has undertaken to provide cheaper industrial sites, to improve the Colony's trade possibilities, and to encourage the growth of industry, without however direct intervention.

POPULATION AND RELATED PROBLEMS

The overwhelming importance of migration makes it impossible to estimate present population on the basis of statistical series founded on the last (1931) census. Several attempts have been made in the past year to provide some scientific basis for the Colony's population estimates, but reasonably accurate statistics are lacking.[4] The population at mid-year, 1955, was estimated at 2.34 million persons, who, with the exception of about 300,000 living in the rural area in the New Territories, were concentrated on the northern slope of Hong Kong Island, in the urban area of Kowloon and New Kowloon, and in the industrial town of Tsun Wan.[5]

In 1954, 115,000 persons found employment in the 2,494 registered or recorded factories, while a further 100,000 were employed in smaller establishments and in cottage industries. Agriculture and building construction employed a further 200,000 each; fishing 50,000; government service 29,000; and public transport 25,000. Thousands more were engaged in small workshops, in unregistered factories, and in unlisted occupations, but as any significant expansion of employment opportunities is possible only in industry, it was hoped that emigration might relieve the population pressure. Unfortunately, large-scale emigration has proved impossible, and the Government of Hong Kong has now accepted the conclusion that the present population is permanent. Policies are being shaped accordingly.

The resettlement of squatters has received increasing attention from the government as part of an overall *housing* plan. The original plans for bungalow-type dwellings in specially-designated areas had to be modified because of the scarcity of suitable land. The present policy is to concentrate on the construction of multi-storey blocks of flats which provide 11.14 square metres of living space to every five adults resettled. In 1955 four projects were undertaken, with an expected capacity of 155,000 persons at a cost of HK$1,800 for every family group of six; future plans call for 12 additional seven-storey buildings expected to house 30,000 persons.[6] Funds for these resettlement projects come from general revenue, and sufficient rents are charged to amortize the cost over 40 years at 3½ per cent. The Department of Resettlement is directly responsible for problems concerned with housing and welfare of squatters.

The Hong Kong Housing Authority, established by the government in 1954, is designed to provide housing for clerks and artisans at a higher standard than is possible under the resettlement projects. The authority began construction on its first site in late 1955, and expects the first buildings to be completed in late 1956; it has now scheduled projects for the housing of 53,000 persons in three areas. The authority is financed by the allocation of a HK$50 million loan from the Colony's Development Fund.[7] In addition, private housing societies continue to function, a co-operative is building flats for government employees, and successful industrial bidders for sites in the Kun Tong reclamation area will be required, under certain conditions, to provide low-cost housing for their employees in near-by sites sold at half the upset price.[8] But the housing of the Colony's population still remains one of the serious long-run problems.

1. R.A. Ma and E.F. Szczepanik: *The National Income of Hong Kong, 1947-1950* (Hong Kong, University Press, 1955), p. 14. The latest comparison available is for 1949.
2. The total land area is 1,013 sq. km. for Hong Kong, including the New Territories.
3. Despite the anticipated population growth, the government has announced a seven-year plan to make universal primary education possible for the first time in the Colony's history. A new HK$1 million technical school is scheduled for construction in mid-1956.
4. Edward Hambro, *The Problem of Chinese Refugees in Hong Kong*, a report submitted to the United Nations High Commissioner for Refugees, (Leyden, Netherlands, 1955). In general, the unofficial population estimates depend either upon a recent sample survey or upon birth and migration estatistics. Conditions in Hong Kong make the validity of any sample survey doubtful, and the existing statistics are not sufficiently accurate to be used either as a check on the survey or independently.
5. Historically, the term "New Territories" refers to the 920 sq. km. territory leased from China in 1898 for 99 years. Today, with the expansion of Kowloon, 20 sq. km. of the leased territory is administered with the urban area and is called "New Kowloon". The administrative New Territories excludes this area.
6. Compared to the ideal standards of low-cost housing, Hong Kong's resettlement projects seem inadequate. Where land is scarce and the poverty of the inhabitants as well the urgency of the problem make satellite town-planning impractical, the present programme provides a necessary improvement of present conditions. Housing is only part of the need—social services, police protection, educational and health facilities are also provided. Thus the Resettlement Programme is more than a housing scheme, and its advantage is that it can be put into effect with currently available resources.
7. The majority of locally-financed development projects are classified as non-recurrent public works, and their cost is met from current revenue. Even the Tai Lam Chung dam, originally designed to be financed from the fund, is now being paid for under the annual budget. Therefore, the Development Fund's main activity in 1955 was the financing of low-cost housing schemes.
8. The upset price is the price fixed as the minimum for property offered in a public sale.

Expanding population and better housing have increased the demands made on the Colony's already over-strained *water supply*. An unusually dry autumn in 1955 led to the water supply being limited to 2½ hours a day from late November. To add to the 271 million hectolitre capacity of the present reservoirs, a HK$125 million project has been undertaken at Tai Lam Chung, with a capacity of 227 million hectolitres, of which the first two stages will be completed in 1956. This scheme may, however, prove insufficient, and another reservoir site has been selected in the Shek Pik area of Lan Tao which, if utilized, will provide a full water supply for a 3-million population. Because Hong Kong rains are seasonal, a rapid gravity filter with a daily capacity of 300,000 hectolitres has been installed in Kowloon.

More than a quarter of the 1955/56 estimated budget expenditure is devoted to social welfare, health, and education. Although the Colony has published no development plan, it seems obvious that, with the expanding population, this proportion will in future have to increase.

PRODUCTION

Agriculture and other primary production

Agricultural production is concentrated in the New Territories, of whose total land area of 920 square kilometres only 132 square kilometres or 14 per cent are at present under cultivation. Three quarters of the cultivated land is planted in *rice*, for which two crops are obtained in areas where water is sufficient. The rice produced is of such high quality that it is exchanged at an average rate of 100 catties[1] of local paddy for 90-100 catties of Thai broken rice. Taking the Colony as a whole, however, Hong Kong imported about 125,000 tons of rice in the first half of 1955 for local consumption. The 52,120 tons of *vegetables* grown in the first ten months of 1955, just under the 52,147 tons figure for the corresponding period in 1954, were sufficient to meet about 60 per cent of the Colony's requirements. *Livestock* breeding, especially pigs and poultry, is also important.

The agricultural potential in the New Territories is limited. In view of the small amount of suitable land available, only some 300 refugee families from nearby Kwangtung province in mainland China have thus far been able to settle on the land. Vegetable farming, which nearly doubled its output in the last four years, cannot be further encouraged until more is known of the local soil properties and until water-supply problems have been solved. Hong Kong's generally sub-tropical climate is modified by an unusually cold winter, another limiting factor in crop diversification.

Nevertheless, in 1955 the government committed itself to an agricultural programme which, among other things, stressed planned improvement of communications and irrigation, wider credit facilities for farmers, expansion of the co-operative movement, and provision of adequate extension services. High on the list of priorities is a soil survey. Progress was made in the provision of rural credit facilities during 1955 with the establishment of two funds worth just under HK$1 million.

Communications in the New Territories have been improved by the addition of a ferry service in Tolo Harbour, by the building of a new railway station at Ma Liu Shui, and by the addition of two 71-ton, 1,125 h.p. diesel-electric locomotives to replace steam engines. An extensive road programme, financed partly by Colonial Development and Welfare grants, will be undertaken in 1956 and improvements and additions made to existing pier facilities and bridges. A survey of local irrigation needs has been completed, and new irrigation schemes are being undertaken.

In *fishing* over 53,000 persons were employed on a fleet of about 6,000 junk-type craft and 13 steel trawlers of British registry at the beginning of 1955. Total tonnage of fish marketed in the first ten months of 1955 was 33,461 tons compared to 33,400 tons for the whole of 1954. This increase is due to the continued mechanization of the fishing fleet, 95 per cent of which is owner-operated. Funds for mechanization are provided by engine dealers and by a loan from the Colonial Development and Welfare funds. The facilities of the Fish Marketing Organization have ensured fishermen a fair return for their product.

Forestry policy has stressed the afforestration of catchment areas and the establishment of village forestry lots. The programme is proceeding according to schedule.

Mining cannot be accounted a major industry, and yet the production of iron from local ore, sold almost entirely to Japan, totalled 101,000 tons in the first ten months of 1955. Other minerals include kaolin clay (for Japan), wolfram (exported to the United States), and small quantities of molybdenum, lead ore, and graphite. Prospecting is active for all minerals, and the recent discovery of beryl has aroused interest.

Industrial production

Electric *power* production is the responsibility of two private companies, one for Hong Kong Island, the other for Kowloon and the New Territories. On Hong Kong Island a 20,000 kW high-pressure turbine was brought into commission in early 1955, and plans were announced for the erection of a new generating station, with an initial capacity of 30,000 kW, to be in operation by 1958. This station, in which additional plant can be installed to a maximum of 180,000 kW, is expected to meet the requirements of the island for the next twenty years.

A new 20,000 kW turbo-alternator was installed on the Kowloon side in early 1955, where total present capacity, inclusive of the New Territories, is 82,500 kW. Present plans call for the installation of a 20,000 kW turbo-alternator in 1957 and a 30,000 kW turbine in 1958. By the end of August 1955, 559 new factories had been connected to the Kowloon system, as compared with 430 such connections made during the whole of 1954. In late 1955, an underground cable was laid to Lan Tao, the Colony's largest undeveloped area.

With the transfer of control of the *gas* industry from London to Hong Kong, expansion plans are proceeding with the new plant at Ma Tau Kok scheduled for completion in June 1956. Its capacity will be 1.5 million cubic feet per day. The present 1.15 million cubic feet per day capacity on Hong Kong Island will be increased to 1.65 million by the end of 1956, and further expansion, totalling one million cubic feet per day, is being considered for 1959.

Ship-building in Hong Kong, originated in pre-war days, is related to the traditional entrepot activities of the Colony. Hong Kong dockyards are capable of building ships up to

1. 1 catty = 1 1/3 lb. = 0.606 kg.

10,000 tons. In the fiscal year 1954/55[1] ship construction for non-government purchasers included two 107-metre cargo vessels equipped with 450 bhp engines, the most powerful ever built in the Colony. Ten wooden fishing vessels were constructed for the United Nations Korean Reconstruction Agency, and contracts for governments included new police and survey launches and vessels for Brunei and Sarawak. The most important contract for the current 1955/56 fiscal year so far is the HK$11 million contract from the Burmese Inland Water Transport Board for the construction of 30 oil barges. About 600 workers will be employed on this work. The increased size of tankers has brought new importance to Hong Kong's graving dock facilities but, despite increased tonnages using Hong Kong harbour, the Colony is the terminal port for fewer schedules, and ship-repairing activities have accordingly fallen off.

Hong Kong's development has however been most rapid in the consumer-goods industries, of which the *textile* industry, employing some 30 per cent of the industrial labour force, is the most important. The first cotton-spinning mill was established in 1947; it was estimated that by the end of 1955 there would be approximately 295,000 spindles in the 20 modern spinning mills. The capacity of the spinning industry is expected to level off at 320,000 spindles late in 1956. HK$71 million worth of cotton yarn was exported in the first ten months of 1955, but two-thirds of the total yarn production was used by the more than 9,000 workers employed locally on 6,500 power looms in some 120 weaving factories. Exports of cotton piece-goods during the first ten months of 1955 totalled HK$152 million compared with HK$154 million for the same period in 1954.

In 1955 a new *worsted* spinning mill with an estimated monthly capacity of 36 tons went into production. The Colony now possesses four woolen and worsted spinning factories which operate 7,000 spindles. South Korea is the expected market, although an experimental cloth-weaving project may provide a home market for these woolen yarns. In 1954, the export of HK$10 million worth of woolen gloves affected the knitted-glove industry of the United Kingdom.

The growth of Hong Kong's industries has been possible through the three-shift use of the most modern equipment by a trained and efficient labour force. Total production figures are not available, but the following local products were exported in values of HK$1 milllion or more in the first nine months of 1955: cotton piece-goods, cotton yarn, cotton singlets, shirts, footwear, enamelled household utensils, electric torches, towels, preserved fruits, torch batteries, metal lanterns, and iron and steel bars. Over-expansion in the enamelware industry in 1955 forced several factories to shift production to aluminium-ware, and smaller factories were compelled to close down temporarily. Umbrellas found a ready market in the United Kingdom, while Africa took the better quality type.

With land values reaching a maximum of HK$3,330 a square metre, the government has undertaken to make industrial sites available in the 32-hectare Kun Tong reclamation area, 17.4 hectares of which will be ready in 1956. Present plans are to modify the traditional land policy of the Colony by restricting bidders at public auctions for Kun Tong sites in the first instance to approved applicants. The upset price has been set at HK$54 per square metre, with the possibility of the premium being amortized at 5 per cent over the entire period of the 21-year lease. Sites in the Kun Tong area have also been set aside for a project to build "flatted" factories which will meet the need of Hong Kong's smaller industrial manufacturers, many of whom are sub-contracting for the bigger factories.

A survey of the Colony's *tourist industry* revealed possibilities of expansion, and in 1955 the government established a committee to consider the feasibility of forming a Hong Kong Travel Association. Visa regulations for tourists have been modified. Immigration figures for 1953 indicate that about 2,500 tourists a month, excluding through-passengers on ships and United States service personnel on ship liberty, visited the Colony. In 1954 it was estimated that tourists spent HK$150 million.

TRADE

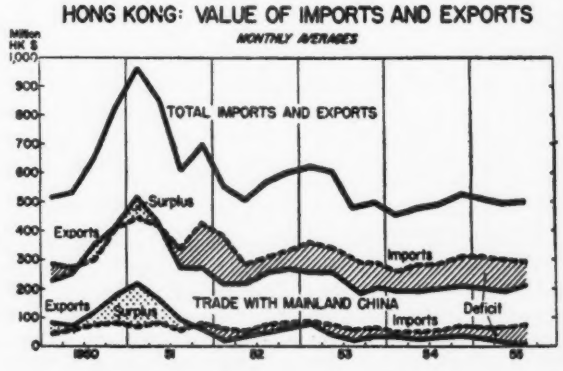
The value of Hong Kong's trade for the first ten months of 1955 showed a slight increase over the corresponding period in 1954: imports reached HK$3,028 million against HK$2,799 million; exports, HK$2,043 million against HK$1,986 million. While this did not compare with the peak level reached in 1951, it did show that an entrepot primarily designed for mainland China trade could, by skilful use of its banking and shipping facilities, shift the direction of its trade.

In 1955 mainland China still remained Hong Kong's most important source of imports, but took second place to Malaya as the most important market for Hong Kong's exports (including re-exports). This change was due in part to the decreased purchases which mainland China made through Hong Kong, in part to the increased sale of Hong Kong products to Malayan markets. Less than one-sixth of Hong Kong's total trade was with mainland China.

Chart 11

HONG KONG: VALUE OF IMPORTS AND EXPORTS

MONTHLY AVERAGES



In 1953, the United Kingdom was first among the industrial nations supplying Hong Kong; in 1954 Japan took the lead. In the first ten months of 1955 Hong Kong imported HK$427 million worth of goods from Japan and HK$362 million from the United Kingdom. The open market for US dollars enabled the Colony to purchase HK$275 million worth of goods from the United States and HK$39 million from Canada. At the same time, Hong Kong was a net contributor to the sterling area's dollar pool.

1. The fiscal year is from April to March.

Trade with countries in South-East Asia continued to fluctuate according to government policies, but further improvement was expected with Cambodia, Laos and Viet-Nam; aggregate imports from the three states increased by HK$3 million and exports to which rose by HK$49 million, in the first ten months of 1955 as compared with the corresponding period of 1954. Direct commercial air service with Laos was inaugurated in September 1955.

Hong Kong's trade regulations were eased by elimination of the Essential Supply Certificate showing end-use of strategic commodities. Improvement of export controls had proved sufficient to prevent contravention of the trade regulations applied in implementation of the United Nations resolution. The policy of the United States with regard to mainland-China-presumptive goods remained unchanged. Trade in rice, frozen meat, and coal continued to be controlled to ensure the maintenance of adequate stockpiles and supplies.

Export of local products

Hong Kong's manufactured products now account for about 30 per cent in value of the Colony's total exports. The three leading customers are first the United Kingdom, second, Malaya, and third, Indonesia, with Thailand, British West Africa, other African countries, British East Africa, Philippines, and the three states of Cambodia, Laos, and Viet-Nam, also taking over $15 million each during the first ten months of 1955. Indonesia, buying HK$145 million worth of Hong Kong products in the first ten months of 1954, curtailed its imports from Hong Kong to HK$68 million for the same period in 1955 owing to exchange difficulties. The United Kingdom, however, almost doubled its imports of Hong Kong products, from HK$59 million in the first ten months of 1954 to HK$113 million in the same period of 1955, a change which provoked much discussion in British industrial circles. However, it remained true that Hong Kong had an over-all deficit on trade account with the United Kingdom of HK$158 million for the first ten months of 1955.

Hong Kong's markets are world-wide, and this success is due at least partially to the vigorous promotional activities of the Department of Commerce and Industry and the several Hong Kong Chambers of Commerce. Participation in trade fairs continued in 1955, and the formation of the Hong Kong Exporters' Association may go far in increasing the Colony's business reputation.

MONEY, PRICES AND PUBLIC FINANCE

The Hong Kong dollar is linked to sterling and is supported by the operations of an Exchange Fund which, in fact, works on principles similar to those of colonial currency boards, although the currency–except for one-dollar notes and subsidiary notes and coins–is issued by three British banks[1] in the Colony. The par value of the Hong Kong dollar is 1s 3d, but exchange rates (telegraphic transfer) available to merchants fluctuate between 1s 3 1/32d buying and 1s 2 13/16d. selling.

Despite the heavy inflow of funds into the Colony from neighbouring countries during 1955, the minimum TT buying rate was down from the super-top at 1s 2 29/32d, probably as a result of the demand for sterling arising from the Colony's unfavourable trade balance with China, a transferable-account country. Banking and monetary statistics are inadequate for any definite analysis, but there was probably a net increase in the Colony's money supply in 1955. One indication was the rising price levels of local securities; effective dividend rates for certain utilities on the Hong Kong stock exchange were as low as 4½ per cent. The three note-issuing banks became sufficiently concerned so that in August they raised the interest rates on fixed deposits and savings accounts to 2 per cent, reserved the right to increase overdraft rates to 8 per cent, and agreed to pay interest on credit balances over a monthly minimum of HK$5,000 in current account. The banks exercised selective control of credit by raising overdraft rates to the 8 per cent agreed maximum where the banks considered the account was being used to finance speculative transactions. The stock market reacted violently, recovered and then adjusted gradually to rates which had preceded the summer speculation. The weekly volume of transactions fell following the credit restrictions from HK$14 million to HK$4 million. Speculation in land continued however.

The cost-of-living index showed only seasonal variations throughout 1955.

With a public debt of HK$56 million and an accumulated surplus of HK$263 million in general revenue balance account, March 1955, the Colony's financial position is sound. The Colony's balance sheet in August 1955 showed total assets of HK$647 million, the equivalent of more than a year's revenue. For the first time in the Colony's recent history, a deficit is scheduled in the 1955/56 estimates, which include, however, expenditure of HK$104 million for non-recurrent public works, a large proportion of which are development projects which might have been financed by an increase in the public debt. On the other hand, the 1955/56 estimates have already been shown to be conservative, and the predicted deficit of HK$43 million is unlikely to materialize.

CONCLUSION

Although forced by circumstances to play a more active role in the economy than formerly, the government has followed a rather conservative policy. Investment has been encouraged by favourable income tax policies, by the provision of stable government, and by the promotional activities of the Commerce and Industry Department. The rapid industrial development in Hong Kong has been possible without subsidies or protective tariffs and other forms of direct assistance from the government.

The government has sponsored heavy capital expenditures for provision of basic facilities in the public sector, including the HK$104 million Kai Tak airport improvement scheme, and a HK$160 million cross-harbour tunnel is under consideration. The movement of capital funds into the Colony tends to indicate that Hong Kong is considered a sound investment risk, although Hong Kong's future still depends upon free access to other countries for trade.

1. These are the Hongkong & Shanghai Banking Corporation, the Chartered Bank of India, Australia and China, and the Mercantile Bank of India, Ltd. For the working of a currency board, see *infra*, chapter on Malaya.

Chapter 9 INDIA

The year under review saw Indian Second Five-Year Plan (1956/57 to 1960/61)[1] in process of gestation; simultaneously short-term problems would seem to have receded into the background. The continuing decline in agricultural prices, which caused anxiety for more than a year, appears to have been arrested, and prices of agricultural commodities, including food articles, have recovered since about the middle of 1955. With increased government outlays on development, increasing assistance to cottage and small-scale industries, extension of social welfare facilities, community development and national extension services, the sharp increase in unemployment over the past two or three years appears now to have been halted, and there is evidence also of some increase in urban employment offered by government and private industry.

In spite of a short-fall in the targets for government development outlay, progress under the First Five-Year Plan (1951/52 to 1955/56) has been very considerable. Industrial output[2] has increased by 50 per cent and may well rise by about 60 per cent by the end of the plan period. Agricultural production has gone up by more than 15 per cent. For the last two years, output of foodgrains has been greater than the target set for 1956. The target of a 5-per cent increase in per capita real income, to be achieved by the end of the First Five-Year Plan, was already exceeded in 1953/54,[3] and though later figures are not available, in 1954/55, with large increases in the output of commercial crops and in industrial production, national income may be expected to have registered a further increase of 2 to 3 per cent.

However, against this background of general progress—and the optimism which it has generated—must be recorded a comparatively slower increase in the rate of capital formation. According to figures given by the Finance Minister on the floor of Parliament,[4] net domestic capital formation in 1953/54 was around 6.8 per cent of the national income as against an estimate of 6.2 per cent in 1950/51. That is to say, over the initial three years of the plan, the rate of investment moved up by barely 10 per cent as against the plan target of a 35-per cent increase over the five-year period. The relatively small increase in the rate of investment over the past three years is a matter of concern in the context of the long-term problem of sustaining the rate of growth achieved in the economy over the past few years.

In any case, however, the economic situation as the plan draws to a close is much better than what it was in 1950/51 (the base year of the plan), with the food situation then bordering on famine, general shortages of practically all goods and a continuing inflationary pressure, which inhibited government from conceiving a sufficiently large investment programme. The target figures for foodgrains and cotton textiles have already been exceeded. In cotton, jute, sugar, shipping, railways, community development and national extension service, the targets are likely to be achieved. The supply position in the economy as a whole and the organizational capacity of the government (painfully built up during the period of the first plan) are now both favourable factors for the execution of an ambitious Second Five-Year Plan. Private industry is pushing forward with many new projects. Foreign capital has shown greater desire to participate than in the years immediately after 1948 and has in fact entered in active collaboration with Indian capital in a number of lines, some of them quite new. At the same time, however, the assistance from private foreign capital has not materialized to the extent expected.

The substantial increase in foodgrain production achieved in the last few years has been a major consideration behind the argument for ambitious planning. The output of foodgrains in 1954/55, however, indicates a small decline below that in the previous year, and this has been due not only to floods and to erratic monsoon but also to the decline in the area sown, especially for rice. And though the government has reserve stocks of nearly 2 million tons of foodgrains, and the situation is not likely to get out of hand in the immediate future, yet if the foodgrain position can at one time be very good, it may also over a period be the other way about, and these facts are significant for a long-period accessment. However, the Government of India has placed continuing emphasis on expanding production through extension of controlled irrigation, use of improved seed and more fertilisers, and other improvements in agricultural practices. If the price relationship between foodgrains and other competing crops is well maintained, production can be expected to continue to expand, subject of course to seasonal hazards. Besides, in view of the current world supply and demand situation of wheat and the emergence of rice surpluses in a number of countries, the Government of India may feel confident enough to take some calculated risks in planning for the next five years.

OUTSTANDING ECONOMIC PROBLEMS

Unemployment

Unemployment has been a source of coniderable concern to the government in recent years. The Planning Commission Panel of Economists has stated: "Among the estimates that have been placed before us, the lowest shows that leaving out the problem of disguised unemployment and under-employment equivalent to 4.9 million man-years, the major portion of the incidence of both being found in the rural areas."[5]

The major cause of the unemployment problem in India has to be sought primarily in the rapid growth of population and only secondarily in the slow rate of development. While there is evidence that the rate of economic development is

1. The fiscal year is from April to March.
2. Referring to factory production covered by the Indian census of production.
3. Per capita real income in 1953/54 was some 8 per cent higher than in 1950/51, indicating an annual rate of growth of per capita income of some 2.6 per cent.
4. Statement by Shri C.D. Deshmukh in the House of the People (27 July 1955) on the basis of estimates made by the Central Statistical Organization.
5. *Second Five-Year Plan: Basic Considerations Relating to The Plan Frame. A memorandum prepared by the Panel of Economists.*

likely to be speeded up in the near future, there is no evidence of a slowing down of the rate of population growth.[1] At the estimated annual growth rate of 1.25 per cent, population would have increased from 356.9 million in 1951 to 379.8 million in 1956—an increase of 22.9 million in five years; and assuming the proportion of the working population to be constant at about 40 per cent, the increase in the size of the working population would be over 9 million. To the extent that new employment opportunities may have been smaller than this figure, the employment situation would have worsened since the inception of the plan. In fact, according to estimates of the Planning Commission, the employment potential of the first plan was only around 5 million jobs in five years[2] provided the entire plan expenditure was incurred. Furthermore, it is likely that most of the plan outlay by the government, e.g. on multiple purpose river-valley projects, small irrigation schemes, community projects and national extension services, has added to the number of jobs in the rural areas and afforded comparatively little easing of urban unemployment.

Savings and capital formation

In the long run, an enduring solution of the problem of unemployment would depend on the rate of economic development through capital formation, which in its turn would be heavily influenced—other limitations being removed—by the rate and volume of savings.

Net domestic capital formation in the Indian economy rose, during the first three years of the first plan, from an estimated total of Rs 5,890 million in 1950/51 to Rs 7,190 million in 1953/54. These estimates are, however, at current prices. As mentioned earlier, in terms of percentages of the national income, capital formation increased from 6.2 per cent of the national income in 1950/51 to 6.8 per cent in 1953/54, or a rise of only about 10 per cent.

There is however reason to believe that since 1953/54, the rate of capital formation has risen materially, with mounting development expenditures in the public sector during the last two years or so. The private sector, which was marking time during the first three years of the plan, became more adventurous during the fourth year and there are signs of its going ahead at a fast rate during the concluding year of the plan. This is indicated by the rate of company formation, increase in installed capacity, etc. The paid-up capital of joint stock companies increased from Rs 8,976 million[3] on 31 March 1953 to Rs 9,831 million on 31 March 1955.[4] The authorized capital of new joint stock companies floated during 1954/55 amounted to Rs 2,260 million as compared to Rs 1,530 million during 1953/54.[5] There has been a substantial increase in the installed capacity of several industries and in domestic output of producer goods, which points to rising levels of capital formation in the economy. These developments are likely to be reflected in the statistics of capital formation for 1954 and 1955, when available.

Prices

During the year under review, the government was concerned with the continuing fall in prices. Although the all-commodities wholesale-price index (year ended August 1939=100) rose slightly from 380 (10 July 1954) to 385 on 4 September 1954, the decline in prices was resumed by the middle of September 1954 and continued up to the beginning of June 1955 (341 on 4 June 1955). Up to mid-July (359 on 16 July), prices rose. In succeeding months, they remained more or less stable (363 on 19 November 1955).

The government was particularly concerned with the especially steep fall in agricultural prices, particularly those of foodgrains. The parity of prices as between manufactures and agricultural goods moved adversely to the latter in serious proportions. The government, therefore, took a number of measures in order to halt the decline in agricultural prices. The system of export duties was modified. The government adopted an active export-promotion policy (as for example, the tobacco-raw silk exchange agreement with mainland China), including a general liberalization of export control, particularly of cotton textiles, oil and oil-seeds through the sanction of additional export quotas, free licensing, etc. It also permitted the export of limited quantities of rice, pulses, oil-cakes and certain wheat products, and exported some of its own rice to Nepal and Cambodia. Finally a floor price was set for wheat, jowar, bajra,[6] maize, rice and gram in the principal producing areas and open-market purchases were made in a number of States. These measures, aided by other factors, led to a rise in prices towards the beginning of June 1955. This reversal of the falling price trend was helped by the fall of about 2.7 million tons in foodgrains output in 1954/55—which aggravated somewhat the normal seasonal stringency that characterizes the lean period of the Indian economy from June to September, when practically no grain is harvested—and, perhaps to some extent, also by the increase in demand as a result of increased development expenditures.

PRODUCTION

Agricultural production

On account of floods and drought in parts of the country, the output of foodgrains fell by 4 per cent during 1954/55, as compared to the preceding year. In spite of this decline, the total production of foodgrains during 1954/55 showed an increase of 14.6 million tons over 1951/52 (the first year of the plan).

The major set-back (12.4 per cent) during 1954/55 was in rice output, caused partly by a fall (3.6 per cent) in area, but mainly by unfavourable seasonal conditions. The decline in bajra (1.1 million tons) was more than compensated by the increase (1.2 million tons) in the other important millet (jowar) The decline in other foodgrains was relatively small. In fact, the output of two of the major foodgrains—wheat and gram—increased (0.6 million and 0.3 million tons respectively). On the whole, the fall of 3.4 million tons in rice was offset by an increase to the extent of 0.7 million tons in other grains, resulting in a net decline of 2.7 million tons in over-all foodgrains output.

1. It can be argued that a decline in the rate of population growth has to await a sufficient acceleration in the rate of economic development. In fact, as long as economic progress does not catch up with medical progress, the rate of population growth may tend to increase in consequence of the expansion of health services. The population total for India does not include the State of Jammu and Kashmir and tribal areas of the State of Assam. Other statistics used in the chapter are mostly government of India statistics which now commonly include the State of Jammu and Kashmir.
2. This estimate would, of course, have to be modified in view of the later strengthening of the plan for providing employment. It may, however, be noted that this figure of 5 million cannot be strictly compared with the increase in the labour force of 9 million since indirect effects of the Plan in sectors such as trading were not included in the estimate of 5 million.
3. *Monthly Abstract of Statistics*, April 1955.
4. Speech by the Finance Minister in the House of the People (19 August 1955).
5. *Progress of Joint Stock Companies in India*, Department of Company Law Administration, 12 September, 1955.
6. Jowar and bajra are millets.

In spite of the fall in foodgrains output, the agricultural situation during 1954/55 cannot be considered as unfavourable, for there was an increase in the output of other crops for which information is available. There was a marked increase in the output of sugar-cane and oil-seeds. The increase in the supply of sugar-cane enabled the industry to produce 1.7 million tons of sugar, as compared to the target level of 1.5 million tons for 1955/56. The popular impression that the increase in agricultural output in the past three years has been largely due to favourable weather, though true, appears to be exaggerated when account is taken of large increases in irrigation facilities, larger fertilizer suppliers and improvement in agricultural practices, e.g. adoption of the Japanese method of paddy cultivation.

In this connection the following developments since the commencement of the Plan in 1950/51 may be specifically stressed. Agricultural output in 1954/55 was still nearly 18 per cent higher compared to the pre-Plan year 1950/51. More than 1.5 million hectares of wasteland were brought under cultivation over the past four years and this figure is likely to exceed 2 million hectares by 1955/56. Besides, over 5.4 million additional hectares were brought under minor irrigation between 1950/51 and 1954/55. Consumption of chemical fertilizers increased thirty-fold since the commencement of the Plan. Imports of foodgrains dropped from the peak of 4.8 million tons in 1951/52 to 0.3 million in 1954/55. An appreciable rise in the food consumption level has taken place since 1950/51: it is estimated that consumption of cereals for adults has gone up from 13.5 ounces per day to 14.8 ounces. Taking all foodgrains together, daily calorie intake has increased from 1,800 to 2,100 per adult.

Industrial production

The rate of increase of industrial production from factories has been significant. The interim index of industrial production attained a record level of 167 (1946=100) in April 1955. The average for the first seven months of 1955 works out to nearly 8 per cent over the corresponding period of 1954. The current developments in both the private and the public sectors are encouraging as to the future; and the results are likely to be reflected in still higher levels of industrial output when the index for 1955 becomes available.

The private sector

In the private sector, there has been expansion in capacity and production, in several cases with the collaboration of foreign capital. The Tata plan for a further expansion of half a million tons of steel is ready. The company is expecting to secure a loan of Rs 310 million from the Export-Import Bank of Washington, and is about to approach the market for additional funds. The cement industry is currently working at about its full capacity of some 4.5 million tons (annual rate); its capacity is scheduled to increase to 6 million tons by the end of 1956 and nearly 10 million tons in the next few years. Orders for machinery have been placed in Norway for setting up a ferro-manganese plant in the State of Bombay, to start working towards the end of 1956. Automobile manufacturers have a programme of expansion to produce, in addition to jeeps, tractors, trailors, textile machinery, diesel engines, etc. Arrangements are being made to manuufacture hydraulic brakes and clutches. A leading cement manufacturing company is negotiating with a British firm for the manufacture of cement machinery with gradual extension to a wider range of capital-equipment production. A wire-drawing and enamelling plant with a monthly capacity to draw 40 tons of hard copper wire and produce 2,800 tons of enamel is being established in PEPSU, with the assistance of a foreign company. A programme for the manufacture of 33,000 typewriters annually has been approved by the government. Private capital hitherto confined to old industries such as jute is being invested in soda ash, cement, rayon and heavy engineering, while the paper industry is being expanded to meet the increasing demand arising from the progressive implementation of the constitutional law that the State must provide free education up to 14 years of age within 10 years of the inauguration of the Constitution. The Government of India has under consideration a scheme submitted by the Government of the United States for guaranteeing US investment in India, and is inviting the collaboration of foreign capital in certain lines. It has reached an informal agreement with the Assam Oil Company for floating a "rupee company" for prospecting oil in two new areas in Assam. Two oil refineries have started working. A third refinery will operate in another two years or so.

The public sector

In addition to the expansion of the Rourkela steel project (Indo-German) to a million ton capacity and a preliminary agreement with the Union of Soviet Socialist Republics for another million-ton plant at Bhilai, an Indo-British steel project of like capacity has been approved in principle. (Steel from these projects may, however, not be available earlier than 1959). The Sindri Fertiliser Factory has been operating at capacity level of 960 tons per day.[1] It has been reducing prices and making larger profits and the demand for fertilizers far exceeds the supply, with the result that the government is now planning for three more "Sindris" (manufacturing a variety of fertilizers) to be included in the Second Five-Year Plan. A coke-oven plant, which went into production in September 1954, produces 283,000 cubic metres of gas and Sindri plans to use it in turning out 70 tons of urea and 400 tons of ammonium sulphate-nitrate mixture per day. The Associated Cement Corporation has set up a cement plant with more than a million ton capacity (annual rate) to utilize the calcium carbonate sludge of Sindri. The Chittaranjan Locomotive Works has already exceeded its original target capacity. By April 1956, it is expected that its original target of 120 average-size locomotives will be exceeded. The target capacity has now been raised to 300 locomotives and there is talk of further raising this target figure.[2] A point of importance[3] is that the cost of production of a Chittaranjan locomotive (Rs 0.5 million) compares very well with the Canadian. As regards railway equipment,[4] the integral coach factory at

1. The saving in terms of foreign exchange is indicated by the fact that imports of ammonium sulphate in 1950/51 were valued at Rs 110 million and only Rs 29,000 in 1954/55.
2. Speech by the Minister of Railway, 8 July 1955: "... a time will come when the Chittaranjan Locomotive Works would produce 400 locomotives per year, which is double the present target of output."
3. A point of still greater importance in the development of the Welfare State is that both industrial centres—Cittaranjan and Sindri—are model townships for the working classes with streets and parks, electric lights, a filtered water supply, modern sanitation, schools, hospitals and recreation.
4. The Indian railways will need 150,000 wagons, 12,000 coaches and 2,000 locommotives, apart from a wide variety of stores, for the Second Five-Year Plan, aiming at a 30 per cent increase in passenger-miles and 40 per cent in ton miles for freight. The government is persuading private industrialists (by guaranteed offtake, supply of samples, exhibitions, etc.) to expand their existing capacity and to set up new plants for the manufacture of railway equipment. Wagon output has increased from 6,000 to 12,000 per annum, but it has to be increased to 30,000, for the government wants the entire extra requirements of the Second Plan to be produced in India. In the meanwhile the government is setting up wagon assembly plants at a number of points—Vishakhapatam, Okha and Adhmedabad.

Perambur started working on 2 October 1955. The State-owned DDT factory, with a capacity of 700 tons a year, went into production early in the year. It is now proposed to set up another under the Second Plan to meet the full requirements of the national anti-malaria campaign.[1] The Hindustan Shipyard at Vishakhapatam delivered in June 1955 its 13th ship—the first modern diesel-engine ship built in India. The building capacity of the yard has been increased by 50 per cent since the government acquired it in March 1952. This additional capacity has been absorbed by switching over to the construction of more modern diesel-engine ships. Substantial increase in the production capacity of the yard is expected by 1956. At Pimpri, a government-owned penicillin factory went into production in August 1955. Simultaneously the Ministry of Production announced in August 1955 a decision to expand its capacity by 60 per cent to 28-32 million mega units of penicillin, as compared to the present estimated production of 15-20 mililon mega units per year. Work is proceeding on the Rs 100 million Bharat Electronics Projects, designed to produce essential defence equipment (wireless sets, high-frequency transmitters, communication reviewers, crystals, etc.). A training centre was set up for radio mechanics, artisans of various mechanical trades, etc. almost from the very beginning of this undertaking (October 1954); the first group of trainees completed their training in July 1955 and a second group was taken in, so that, when the factory goes into operation in 1956, it will start off with 300 trained workers. The thorium-uranium plant at Trombay started production in 1955.[2]

Quite a number of industrial projects, initiated by States Governments, are now bearing fruit; and several schemes are under active consideration, with execution likely to start in the near future. The Government of India has approved the proposal of West Bengal to set up a coke-oven plant at Durgapur, costing Rs 55 million, on the lines indicated by the Coke-Oven Project Enquiry Committee. The Government of Travancore-Cochin is going to set up a major rubber and tyre manufacturing plant, in collaboration with an American concern which will give technical and financial assistance. A programme is being drawn up under the auspices of the Union Government, for the exploitation of the Neyveli lignite deposits in Madras State. The Government of India is reported to have given a British firm the contract to set up a State-owned factory to manufacture heavy electrical equipment at the estimated cost of £20 million.

Irrigation and power

Among the most impressive achievements of the First Plan, now in operation, are those in the fields of irrigation and power. The increase in electric power has been very considerable. While supply has increased substantially, there are signs that demand is increasing at a rate which calls for still more intensified development. The Bombay Suburdan Electricity Supply Company increased its sale of energy in 1954/55 by 24 per cent over the preceding year. In 1953 the Calcutta Electric Supply Corporation sold 1,013 million kWh; in 1954, 1,099 million kWh. These figures are only illustrative. Towns with a population of 50,000 and over are practically all electrified and towns with a population of 20,000 and over to the extent of 82 per cent. Less than 1 per cent of towns and villages with a population below 20,000 are electrified, but this situation will soon change. The Planning Commission has agreed to sanction Rs 200 million as loans to various States for the electrification of villages and small towns in the last two years of the First Plan (1954/55 and 1955/56). It is considering a proposal to grant Rs 100 million in each year of the Second Plan for electrifying about 10,000 to 12,000 villages.

In the multiple-purpose projects, there have been major developments. The Bhakra-Nangal Project (Punjab, PEPSU and Rajasthan) was formally opened for kharif irrigation in July 1954, with the opening of the Bhakra main line and branches for non-perennial irrigation. Two power houses were commissioned during 1955. The project, when completed, will irrigate 1.2 million hectares of new land, besides 1.5 million hectares which will enjoy additional supplies of water. The Damodar Valley Corporation is now in its seventh year of construction. The major development in the Damodar Valley was the completion on 9 August 1955 of the barrage at Durgapur—work on which was undertaken entirely by Indian engineers—far ahead of schedule, at a cost of Rs 51 million. The barrage is situated at the point at which the water discharged from the dams built during the first phase of the Damodar Valley Project is diverted into a system of canals, of which 135 kilometres will be navigable and reduce the pressure on the railways by offering alternative transport between Calcutta and the coal-fields of West Bengal. With the opening of the head gates, the DVC is now in a position to provide irrigation facilities for 32,000 hectares of land. The work on the Tangabhadra Project has been going on and is likely to be completed by mid-1956. The Tangabhadra reservoir, completed two years ago, has a capacity of irrigating more than 60,000 hectares in Andhra. The whole project will cost Rs 500 million and will have a capacity to irrigate 800,000 hectares of land. Of the other multiple-purpose projects, the Hirakud, Kakarpar, Ghatprabha, Gangapur, Machkund and Lower Bhavani are taking shape; and the Mayurakshi has been completed with Canadian help under the Colombo Plan. Irrigation from the Mayurakshi began in July 1955. It is the biggest irrigation project in West Bengal with a 34-metre high dam. At Tilpara, a barrage, 309 metres in length, has been constructed, to feed 1,706 kilometres of canals. It will irrigate areas both in Bengal and Bihar, but is mainly designed to stabilize supply of irrigation water rather than to increase the cultivated area substantially. Apart from bringing larger crops, the Mayurakshi will supply power to some towns, two community-development blocks and selected village *en route* and also for direct lift irrigation. To even out seasonal fluctuations, the Mayurakshi and Damodar grids are being linked up at Pandesvasvar. The Ganga Bridge Project, for which special type earth-moving machinery was received from the United States in December 1954, is likely to be commissioned in October 1955, at a total cost of Rs 160 million. During the current fiscal year (1955/56) a sum of Rs 260 million was made available for new multiple-purpose projects (Kosi, Koyna, Krishna, Chambal and Rihand) as compared to Rs 85 million in 1954/55.

1. *Five-Year Plan Progress Report*, April 1955.

2. Some interesting developments in the nuclear field may be expected. The Government of India has been fairly active in this direction. It is understood to be going ahead with its plan to establish a heavy-water factory at Nangal in the Punjab (*Times of India*, 16 August 1955). The Department of Atomic Energy, Government of India, announced in press note dated 9 July 1955 its readiness to accept uranium ores or concentrates at scheduled rates, guaranteed for 5 years. Uranium has already been discovered in Rajasthan, though the precise nature and size of the deposit are yet to be investigated. There is a prospect of finding radio-active minerals in Andhra. The Prime Minister announced on 25 July 1955, in the House of the People, that some of the Indian atomic-energy scientists would soon be visiting the Soviet Union to discuss matters with regard to the USSR offer of help to India in atomic research.

It is, however, in the small irrigation sector that progress has been beyond expectations. In fact, the Five-Year Plan target for drilling 4,000 tube-wells, largely under the Indo-American Technical Assistance Programme, by April 1956 is likely to be exceeded by nearly 1,600 units, at the present rate of construction of about 75 wells per month. It is reasonable to assume that, quite apart from the succession of favourable monsoons, the extensive programme of irrigation development outlined above has contributed substantially to the expansion of agricultural production.

TRADE AND PAYMENTS

While India's import trade in the first half of 1955 was at a higher level than in 1954, reflecting the effects of higher levels of developmental outlay and production, export trade was fairly well sustained by the continued demand for the country's main exports, jute and cotton manufactures, despite the decline in tea prices. In the first half of 1955 India had a negative balance of trade of Rs 367 million as against Rs 351 million in the whole of 1954.[1] The gold and foreign-exchange assets of the Reserve Bank declined from Rs 7,708 million at the end of December 1954 to Rs 7,575 million at the end of August 1955.[2]

Imports of developmental goods continued their uward trend. Imports of machinery and vehicles, which were of the order of Rs 1,170 million in 1954—or only about Rs 50 million higher than in 1953, rose at an annual rate to Rs 1,400 million in the first half of 1955. Implements and instruments rose from Rs 100 million in 1953 to Rs 150 million in 1954 and ran at an annual rate of Rs 200 million in the first half of 1955. Imports of base metals and manufactures which rose from Rs 400 million in 1953 to Rs 500 million in 1954 were running at an annual rate of over Rs 600 million in the first half of 1955. Imports of electrical goods and apparatus were also about 20 per cent higher than in 1954. Imports of raw cotton, which had increased from Rs 500 million in 1953 to Rs 575 million in 1954, were running at an annual rate of Rs 600 million in the first half of 1955.

Exports of cotton piece-goods, which had totalled 600 million metres valued at Rs 635 million in 1953, rose in 1954 to 790 mililon metres valued at Rs 700 million. During the first half of 1955 roughly 300 million metres were exported, yielding over Rs 300 million. Jute manufactures, which brought more foreign exchange in 1954 (Rs 1,200 million), owing to increases in both prices and quantity, were at the same high level in the first half of 1955. On the other hand, export earnings from tea were declining in 1955, particularly in the second quarter, as a result of the fall in tea prices. Tea exports contributed as much as Rs 1,300 million in 1954 as against slightly over Rs 1,000 million in 1953; in the first half of 1955 they fell to Rs 480 million.

India's terms of trade improved by 8 per cent in 1954, owing to an increase in export prices and a decline in import prices. In the first quarter of 1955, the terms of trade still remained at the high level of 111 (1952/53=100), but owing to the subsequent decline in tea prices, they were reduced to 102 in May 1055.

Chart 12

INDIA: VALUE OF IMPORTS AND EXPORTS

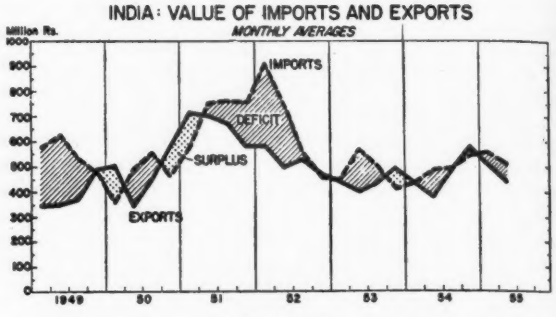
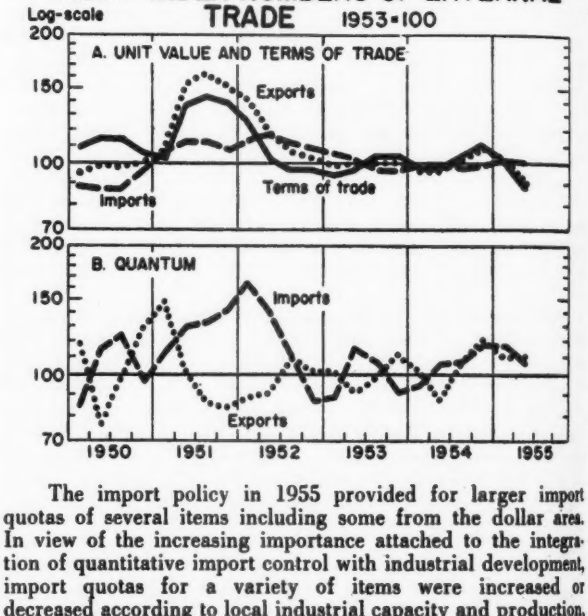


Chart 13

INDIA: INDEX NUMBERS OF EXTERNAL TRADE 1953=100



The import policy in 1955 provided for larger import quotas of several items including some from the dollar area. In view of the increasing importance attached to the integration of quantitative import control with industrial development, import quotas for a variety of items were increased or decreased according to local industrial capacity and production, and the country's requirements for the items in question. The system of "token" imports was continued, by which locally-produced commodities are exposed, where desirable, to competition from imported substitutes. The recommendations of the Tariff Commission to protect specific industries which applied for protection, as well as several administrative measures for simplifying and expediting the procedures in import control, were given effect to during the year.

Export-promotion measures included removal of control of many items, increase in the export quotas of certain commodities, reduction of export duties where necessary, grant of rebate of import duties on raw materials used in exports of manufactured goods, issue of special licences to manufacturers for the import of raw materials, and the establishment of export promotion councils. It is too early to assess the significance of these measures in terms of increase in export earnings. In August 1955, the export duties on jute manufactures were abolished and those on certain varieties of raw cotton reduced, with a view to maintaining their competitive position in relation to Pakistan which devalued its currency at that time.

1. Imports in January-June 1955 totalled Rs 3,208 million as compared with Rs 5,978 million in the whole year 1954. Exports during the same periods were Rs 2,837 million and Rs 5,627 million respectively.
2. They amounted to Rs 7,597 million at the end of November, 1955.

External assistance and the utilization of sterling balances have been important sources of finance for India's developmental imports. External assistance offered to India during the period March 1951-July 1955 amounted to Rs 2,680 million, though only Rs 2,150 million, which represents about 10 per cent of the total outlay in the public sector of the plan, is expected to be used by the end of the First Plan period.[1] Sterling balances had been drawn upon to the extent of over Rs 1,500 million in the first four years of the plan, representing about 7 per cent of the total outlay in the public sector.

FISCAL AND MONETARY DEVELOPMENTS

The current fiscal year coincides with the completion of India's First Five-Year Plan.[2] Part of the success of the plan, already noted, can be accounted for by the operation of a set of exogenous forces; nonetheless, selective investment in the public sector has been the main lever of progress. It is in this context that public finance operations in the country in recent years, and the consequent monetary developments, deserve some close analysis. Also, such analysis helps to assess the prospects for the Second Plan, now in process of preparation, and facilitates discussion about its financial implications.

The final budget accounts now available for 1951/52 to 1953/54 indicate that expenditure in the public sector totalled Rs 8,700 million over the first three years of the plan. The revised estimate for 1954/55 puts the plan outlay for the year at Rs 5,424 million, which implies an increase by about 60 per cent over 1953/54. The actual outlay for the year is, however, likely to be of a smaller magnitude, possible around Rs 4,750 million. If the latter figure is assumed, the 1954/55 outlay will still be nearly 40 per cent larger than in the previous year. The total plan outlay has been set at Rs 7,105 million in 1955/56, that is to say, 30 per cent higher than the revised estimate for 1954/55. If we apply this rate of increase to the probable actual figure for 1954/55 suggested above, the likely plan expenditure for the final year of the plan would then amount to nearly Rs 6,200 million. On these hypotheses, the total public outlay for the five years of the plan would then be around Rs 19,650 million, which is almost 95 per cent of the target figure originally set in the plan (Rs 20,690 million).[3] The leeway in the initial years is thus likely to be largely made up by outlays in the last two years of the plan.

The appreciable stepping-up of the rate of expenditure is reflected in the capital budgets of the Union and States governments.[4] For the first time in its history, disbursements under the capital budget of the Union Government in the budget estimates for 1954/55 (revised) and 1955/56 are shown as exceeding the figure for expenditure under the revenue account.

1. The main contributions of external aid in 1954/55 were (a) US allocation of $75.7 million, of which $60.5 million was developmental assistance, one-half of $75.7 million, of which $60.5 million was developmental assistance, one-half in the form of surplus agricultural commodities; and (b) two loans from the International Bank for Reconstruction and Development: $16.2 million for the Trombay Oil Refinery and $10 million for the Industrial Credit and Investment Corporation. Balances of allocations of aid by Australia, Canada and New Zealand under the Colombo Plan and by Norway under a separate agreement were also being utilized for various projects during the year.
2. The plan will end on 31 March 1956.
3. Subsequent revisions raised the figure for public outlay by another Rs 2,000 million.
4. The proportion of the plan financed out of the revenue account decreased from 36 per cent in 1951/52 to 29 per cent and 28 per cent respectively in 1952/53 and 1953/54. It is 26 per cent in the revised estimates for 1954/55; in 1955/56 budget estimates, the percentage is further down to 25.

Deficit financing

The steady increase of budget deficits for financing development expenditure can be seen from the budgets of the last few years. If deficit finance were to be defined as the increase in floating debt (as given by outstanding Treasiny Bills) plus the decline in cash balances, the over-all deficit in the budget of the Union Government amounted to Rs 650 million in 1952/53 and Rs 810 million in 1953/54. The revised estimates for 1954/55 place the amount of deficit around Rs 2,080 million and the budget estimates for 1955/56 set the current year's deficit at Rs 3,270 million. If similar deficits of States Governments are added, the aggregate deficit works out at Rs 791 million for 1952/53, Rs 599 million for 1953/54 and a revised estimate of about Rs 2,462 million for 1954/55. The over-all deficit in 1955/56 for the States and Union considered together, as a given in the budget estimates, is set at Rs 3,654 million.

The actual deficit in 1954/55 is expected to be only about Rs 1,200 million. It is of interest here to note how the original proposals in the budget with regard to deficit financing have been altered in recent years in the revised estimate as well as in the final accounts.[5] The gap between the budget figure and the actual deficit is likely to be particularly wide in 1954/55. There are a number of special reasons—to be mentioned later—accounting for this gap. At the same time; however, the *absolute* volume of deficit financing has been going up in recent years.[6]

The tempo of actual implementation can be expected to receive a further acceleration, so that, considering the deficits in the Union and States budgets together, it may be hazarded that the over-all deficit in 1955/56 is likely to be of the order of about Rs 2,250 million. Thus, for the period of the plan, the aggregate amount of deficit finance would be about Rs 5,000 million. This estimate, compared with the figure of Rs 2,900 million, the amount of deficit finance originally suggested in the plan, reflects the vastly changed economic conditions in the country, the relative inelasticity of normal revenue sources,[7] as well as the capacity of the economy so far to absorb the deficit without inflationary pressures.

Money supply and prices

That the over-all deficit is making an impact on the economy is clearly demonstrated by the movement of total money supply in the economy. During the last busy season, that is between the end of September 1954 and May 1955,

5. India: Deficit finance in the Union Government budget.
(Budget estimates = 100)

	Revised	*Accounts*
1952/53	116	85
1953/54	93	95
1954/55	87	50[a]

a. Estimated.

6. India: Index of Union Government deficit financing.
(1952/53 = 100)

	1953/54	*1954/55*	*1955/56*
Budget	133	316	432
Revised	147	237	..
Accounts	125	185[a]	..

a. Estimated.

7. Another point can be noted here. The original proposal was that deficit finance of the order of Rs 2,900 million would be non-inflationary, in the sense that it would be covered by the release of sterling balances to the equivalent extent. Over the first four years of the plan, release of sterling balances has amounted to only about Rs 1,540 million.

total money supply rose by Rs 2,316 million or by about 13 per cent. Between 6 May (when the busy season ended) and the end of September 1955, the decline in money supply was only about Rs 403 million. The slack season had by then run its course, and there is no doubt that the contraction was the smallest on record for the last seven years. The decline, up to the end of September, was only 19 per cent of the increase during the preceding busy season. The supply of currency went down by only about 2½ per cent from the peak of late April, whereas deposit money was actually about Rs 166 million more than the end-April figure, or an increase of nearly 30 per cent over the increment of the earlier busy season. In a way, this is a significant development, for this expansion in money supply took place despite a substantial increase in the time liabilities of the scheduled banks.[1] The deficit on government account has thus resulted in a direct expansion of money supply: although part of the increase in Treasury Bills has been offset by open market sales of government securities on the part of the Reserve Bank to the public, rupee investments of the bank have gone up appreciably over the year (by about Rs 690 million between mid-October 1954 and mid-October 1955), and scheduled banks' credit has also increased significantly (by about Rs 760 million between mid-October 1945 and mid-October 1955).

Cumulative evidence would, however, suggest that the economy has not yet been strained at all by these monetary developments. In 1954/55, though national output can be estimated to be about 2 to 3 per cent higher than in 1953/54[2] and money supply increased by nearly 7 per cent, the level of wholesale prices actually fell by some 5 per cent. When the price indices of the first ten months of 1954 and 1955 are compared, the fall in prices is even greater—about 9 per cent. Thus the conclusion seems warranted that, despite the deficit financing practised so far, credit creation has been kept well within the needs of an expanding economy.

This impression is confirmed when the current situation is contrasted with the economic circumstances of the country at the commencement of the plan. Between 1950/51 and 1954/55, the increase in real national income was of the order of about 14 per cent. With the abandonment of the deliberate anti-inflationary policy practised at the beginning of the plan, money supply almost climbed back to the post-Korean-war peak level of 1951. The decline in prices over the period, however, was nearly 22 per cent. The steep fall in the price-level would indicate that, from an over-all point of view, the increase in output had more than taken care of the money erstwhile in excess.

Public borrowing

The main reason that the targeted figure for deficit financing was not reached in 1954/55 was still the difficulty of organization which was great enough so that amounts voted could not actually be spent during the fiscal year. But the other factor which kept deficit finance in cheek was the accretion of additional public resources from the capital market: the response to the long-term borrowing programmes of the government had, during 1954/55, been exceptionally favourable. The yield from the National Plan Loan in 1954/55 at nearly Rs 1,600 million is nearly double the original estimates and also double the yield in the previous year. The yield from small savings was also almost 20 per cent higher than expectations. These developments perhaps constitute one indicator of the degree of confidence which has gradually been built up in the economy over the past few years.

TABLE 46

INDIA: CAPITAL BUDGET OF THE UNION GOVERNMENT

(million rupees)

	1952/53 Accounts	1953/54 Accounts	1954/55 Budget	1954/55 Accounts	1955/56 Budget
New loans . . .	336.5	788.3	782.8	1,609.6	1,418.9
Discharge of permanent debt .	−58.9	1,153.9	530.2	483.1	730.6
Small savings . .	327.6	314.3	377.3	444.4	466.0

In July 1955 the government floated a loan for Rs 1,000 million (including Rs 570 million for conversion) which was fully taken up within a short time. Similarly the States Governments, approaching the market on their own, have already succeeded in raising loans amounting to nearly Rs 550 million. The buoyancy in the capital market promises to continue at least through the final year of the First Plan.

Changes in banking and capital market

Significant developments have also taken place in 1955 in the field of banking and the capital market, and in institutional reforms not only for ensuring more adequate credit supply in the economy but also in relation to wider aspects of industrial organization, as for instance, in the reform of laws on company management. In accordance with the recommendation of the All-India Rural Credit Survey, the Imperial Bank of India—holding about one-quarter of the total deposits of the commercial banking system—was nationalized in July 1955, with a view to making the bank (re-named the State Bank of India) the focal instrument for the supply of credit to rural areas. The intention is to open at least 400 new branches of the State Bank of India in non-urban (or rural market) centres within a period of five years. The Committee of Direction of the All-India Rural Survey has recommended the setting up of a number of national funds,[3] two of which have already been set up under the Reserve Bank of India Amendment Act, passed in April 1955: (1) the National Agricultural Credit (Long-term Operations) Fund with an initial capital of Rs 100 million, and (2) the National Agricultural Credit (Stabilization) Fund to which the Reserve Bank of India will annually contribute not less than Rs 10 million for five years beginning 30 June 1956.

1. It can be noted that the expansion of total money supply has been resumed at the end of the slack season, the increase during October and November being respectively of the order of Rs 440 million and Rs 70 million.

2. Agricultural production is reported to be about the same as in 1953/54, while production in the organized industrial sector has risen by more than 11 per cent. These two sectors cover about 60 per cent of the economy; development in the other sectors has been such as to warrant estimating an increase of some 2 to 3 per cent in national income over the year.

3. Besides the funds mentioned in the text, the Comittee of Direction has recommended the setting up of the following funds: (a) under the Ministry of Food and Agriculture: the National Agricultural Credit (Relief and Guarantee) Fund with an annual subscription of Rs 10 million; (b) under the National Co-operative Development and Warehousing Board: (*i*) the National Co-operative Development Fund, (*ii*) the National Warehousing Development Fund with an initial non-recurring contribution of Rs 50 million; the two funds will annually get Rs 50 million; (c) under the State Bank of India: the Integration and Development Funds; (d) under each State Government: (*i*) the State Agricultural Credit (Relief and Guarantee) Fund, (*ii*) the State Co-operative Development Fund; (e) under each State Co-operative Bank, the Agricultural Credit (Stabilization) Fund. (See Reserve Bank of India, *Report on Currency and Finance, 1954/55*, pp. 84-85).

For provision of credit in urban areas, reference was made in last year's *Survey*[1] to the recommendations of the Committee on Finance for the Private Sector, and to the steps taken by the Government of India towards the implementation of some of these recommendations. In July 1954, the Bill Market Scheme, initiated by the Reserve Bank of India in 1952, was further liberalized and its benefits extended to all scheduled banks in possession of a licence granted under Section 22 of the Banking Companies Act, whatever the size of their deposits may be; the minimum limit of advances was reduced from Rs 2.5 million to Rs 1 million and the minimum amount of each bill from Rs 100,000 to Rs 50,000.[2] For small industrial units, an institutional set-up is being built up to lend through State Governments on easy terms (2½ to 3 per cent) for all purposes and periods. In February 1955, the Government of India set up a privately registered National Small Industries Corporation, with a capital of Rs 1 million, for assisting, financing, protecting and promoting small industries. It is a multiple-purpose institution, aiming to encourage and stimulate small industries by securing them a reasonable share of government orders, and providing them with finance and technical assistance to carry out these orders, and to organize and co-ordinate their working so as to enable them to manufacture spare parts and other requirements of large-scale industries.[3] Under the State Financial Corporations Act of 1951, four more corporations (in Uttar Pradesh, Bihar, Assam and Rajasthan) have been set up during the year under review. There are now ten such corporations. The Industrial Credit and Investment Corporation, to which reference was made in last year's *Survey*,[4] formally came into being in January 1955, and its aim is to finance private industrial development with government and foreign private assistance. The government itself is providing industrial finance in a variety of ways. It grants loans on generous terms for expansion of shipping capacity, particularly overseas shipping, at a rate only of 2½ per cent. It has also undertaken the direct responsibility of financing the modernization programmes in the cotton-textile and jute industries, estimated to cost Rs 380 million.

Finally, the Parliament has passed the Company Law Amendment Bill, which seeks to safeguard private investment and enables investors to buy the services of corporate managers at reasonable rates of remuneration.[5] A separate department, for administering company law and supervising the functioning of companies, has also been set up within the Government of India as the Department of Company Law and Investment Administration. These measures, it is hoped, will help develop the capital market by increasing public confidence, and by encouraging people to invest their savings in equities.

1. *Economic Survey of Asia and the Far East, 1954*, p. 119.
2. Reserve Bank of India, *Report on Currency and Finance, 1954/55*, p. 43.
3. *Ibid*, p. 51.
4. *Economic Survey of Asia and the Far East, 1954*, p. 119.
5. The new legislation seeks to limit the remuneration of managing agents to a maximum of 11 per cent of net profits or Rs 50,000 in case of no profits. A new type of corporate managers—called secretaries and treasurers—is to be created with remuneration limited at 7½ per cent of net profits. While these may continue indefinitely, the old managing agencies have been put on probation till 1960. In certain notified industries, managing agencies may terminate in 1960 or after 3 years' notice and new ones may be prohibited. The term of office of all existing managing agents will cease in August 1960 and can be renewed thereafter with government approval. No person can be a managing agent of more than 10 companies after that date and managing agencies will be heritable or divisible by will, and in any case, cannot be continued on that basis without official approval.

Taxation

Reference has been made above to the reception government loans are having in the capital market. But a big developmental effort on the part of a State involves the mobilization of financial resources of all kinds, of which tax revenues are undoubtedly the most important. Normal tax revenues will have to increase *pari passu*. It is in this connexion that planners and fiscal authorities in India have faced, and will be facing over the coming years considerable difficulty. Tax revenue in India has remained static at a bare 7 per cent of national income for the last several years. In an economy with exceptionally low per capita incomes which are moreover largely spread over a vast non-monetized sector, the efficacy of direct taxes as an expanding source of revenue has been severely restricted. Moreover, the need for providing adequate incentive in the post-partition period led the government to reduce the rather high rates of direct taxation practised during the war and immediately after. The result has been that direct taxes have not even been able to keep pace with the considerable increase in national income which has taken place over the past three years.[6] In a situation where direct taxes are not being stepped up, it also becomes politically inexpedient to raise the level of indirect taxation. Since the incidence of land taxes is rather light, the non-monetized sector of the economy—estimated to be about 30 per cent—is likely to be outside the orbit of all types of taxation, so that the burden on those who pay becomes relatively high. However, the biggest source of indirect taxation, revenue from customs, cannot, by its vary nature, be operated upon at will; and the yield from it is showing a declining trend since the break of the Korean-war boom. The revenue on the States accounts, especially, has maintained a poor rate of progress in recent years, and the plan expenditure in the States programmes has to be financed largely out of grants from the capital budget of the Union Government.

The Taxation Enquiry Commission, which had been appointed about two years previously to examine these and related questions of raising the revenue yield, reported toward the end of 1954. The Commission recommended the raising of direct taxes on middle incomes and introduction of a series of new excises. Some of the recommendations have already been incorporated in the Union budget for 1955/56. But even if all the measures proposed by the Commission are carried out, revenues would be augmented by an amount equal to about less than one per cent of national income.

To a certain extent, it can perhaps be expected that the gradual enlargement of the revenue-yielding enterprises in the public sector, including the multiple-purpose river-valley projects, will in future years lead to an expansion in the government's earnings. This would, however, depend upon how far secondary investment picks up in the economy. Individual States may also be able to realize increased revenue by imposing a betterment levy on the agricultural lands which have benefited from the government's expanded irrigation measures. The necessity for evolving a system of taxation which would raise the regular flow from normal sources is thus evident.

Financing of the Second Five-Year Plan

The issue is sharply brought into focus when an analysis is made of the problem of resources for the Second Five-Year

6. Part of the reason for this is also that a major part of the increase has taken place in the agricultural sector.

Plan now under preparation. Of the proposed aggregate public outlay of Rs 43,000 million, it is estimated that only about Rs 9,000 million—or less than 20 per cent—can be financed from out of surplus on the revenue account (including railways). A sum of Rs 10,000 million is the expected yield from voluntary loan programmes, and credit is taken for external assistance amounting to Rs 4,000 million. All this, however, still leaves a gap of Rs 20,000 million for which no financial resources can be foreseen. The tentative suggestion has been made that perhaps, over the period of the plan, additional resources worth Rs 10,000-12,000 million might be created through deficit financing, and the requisite residual resources could than be raised through either tapping fresh tax sources, or additional loan programmes, or profits from State enterprises.

The question of the extent of, and limits to, deficit financing possible over the period of the Second Plan is being currently debated in India. For the period of the First Plan, the total deficit, as suggested earlier, works out at nearly Rs 5,000 million and it may perhaps be said that, as the economy is properly geared for a more rapid rate of growth, deficit financing of about Rs 10,000 million may well be feasible. The proposed volume of public outlay in the Second Plan is roughly double that in the First Plan. Nearly 1 per cent of national income is currently being deficit-financed; the proposal in the Second Plan would mean raising this ratio to almost 2 per cent. Considering the fact that prices in 1955 were actually a little on the decline, the stepping up of the rate might be, at least in part, in consonance with the needs of the economy.

However, deficit financing by itself is inadequate to cover the gap in financial resources for the Second Plan. As matters stand, Rs 12,000 million might be taken to be the outside limit to deficit financing; to raise the sum further might leave a large quantity of excess purchasing power without any corresponding cover. If profits of public enterprises prove inelastic, or public borrowing programmes cannot be made to yield more than Rs 10,000 million, it will become necessary to take policy decisions to raise fresh taxes amounting to Rs 8,000 million if the Second Plan is to be implemented. The task of the Government of India will be to evolve a method to gather these extra taxes, provided no additional external assistance could be envisaged to flow in to bridge part of the gap.

Foreign exchange

The problem of foreign exchange for the outlay under the Second Plan has also to be mentioned here. While the improvement in domestic production and the use of sterling balances have helped to relieve the balance of payments from the severe strains of earlier years, the higher rate of developmental outlay in the period of the Second Plan will impose a serious strain on India's foreign-exchange position. According to preliminary estimates, the total outlay in the Second Five-Year Plan will leave a foreign-exchange gap of about Rs 3,000 to Rs 4,000 million, after making allowance for the use of Rs 1,500–2,000 million from the sterling balances, external assistance of Rs 4,000 million, and private foreign investment of Rs 1,000 million.[1] While efforts are being made by the government and private enterprise to increase export earnings, no clear or definite targets have been set for the various export commodities in the Second Five-Year Plan. It is hoped that some proportion of the projected increase in the output of various industries will be exported, although India's export trade will continue to depend heavily on its traditional exports such as jute and cotton manufactures, tea, metallic ores, and oils and seeds. For this reason any substantial increase in export earnings is likely to accrue less from changes in the structure of India's export trade than from external demand and price factors (e.g. tea boom in 1954). On the other hand, the increase in domestic production which will be realized with the implementation of the plan, coupled with continued enforcement of quantitative import restrictions, is likely to become a major source of economy in foreign-exchange expenditure.

THE SECOND FIVE-YEAR PLAN

A more direct reference to the contents of the Second Five-Year Plan of the country is now called for. A frame of the draft outline of the Second Plan was released for public discussion in the middle of 1955; a fuller outline is expected to be available before the end of the year. The success of the First Plan has emboldened the planners to envisage a more ambitious set of targets for the Second Plan which is to come into operation on 1 April 1956. Two main objectives have been set for achievement over the period of the plan: (1) attaining an average annual rate of growth of about 5 per cent so that the rate of over-all increase in national income over 1956-61 would amount to 25 per cent; and (2) providing additional employment opportunities to 11 million persons over the next five years. Simultaneously, a deepening of the capital base of the country is aimed at through a programme of development of heavy industries.

To a certain extent, the orientation given in the Second Plan frame could be considered a natural development. Fulfilment of the major object of the First Plan, namely, a substantial rise in agricultural production, strengthened the base for rapid industrialization, and this meant that the stage had been set by 1955 for a qualitative shift in the development programme. Also, the fact that in recent years a favourable rate of growth could be combined with a marked stability in the economy has provided the element of confidence. The establishment of basic industries which would make the country relatively self-sufficient in the supply of essential capital goods—without at the same time straining consumption—is unexceptionable. It is necessary, however, that specific attention be given to the growing problem of unemployment already discussed above.

The Second Plan envisages an aggregate investment of Rs 56,000 million, distributed between the public and the private sectors. Since, in the First Plan, the aggregate investment envisaged was of the order of Rs 35,000 million, the increase proposed in the Second Plan is almost 60 per cent. The public-sector investment has been tentatively fixed at Rs 34,000 million, and the non-investment developmental outlay on government account proposed is of the order of Rs 900 million, as mentioned above. Thus, as table 47 shows, the size of planned public outlay is nearly double that under the First Plan.

1. The estimate of Rs 1,000 million of private foreign investment appears realistic, having regard to the improved climate for foreign private investment resulting from institutional and other policy factors. This estimate is further strengthened by the findings of a recent survey by the Reserve Bank of India that the net inflow of foreign private capital into India for the 5¼ years between July 1948 and the end of December 1953 was of the order of Rs 1,800 million, of which about 40 per cent represented the reinvested profits of branches and undistributed profits of subsidiaries of foreign companies.

TABLE 47

INDIA: GOVERNMENT DEVELOPMENT EXPENDITURE UNDER THE TWO FIVE-YEAR PLANS

	First Plan		Second Plan	
	Rs million	Per cent	Rs million	Per cent
Electricity	10.300	44	4,500	10.5
Agriculture, irrigation and rural development			9,500	22
Industry and minerals	1.790	8	11,000	26
Transport and communication	5,580	24	9,500	22
Construction and social services	5,640	24	7,500	17
Stock	—	—	1,000	2
TOTAL	23,310	100	43,000	100

Private investment over the period of the plan is expected to amount to Rs 22,000 million. Whereas in the First Plan, aggregate investment postulated was more or less evenly distributed between the two sectors, the proposals for the Second Plan emphasize a significant shift in favour of the public sector. One reason for this shift in the pattern of the over-all allocation of the investment programme. Of the total investment of Rs 56,000 million, about 25 per cent is earmarked for industry[1] and another 9 per cent for electricity generation. The bulk of industrial investment is for the promotion of basic heavy industries, which according to the Industrial Policy Statement of 1948 of the Government of India are the responsibilities of the public sector.

The financial considerations relating to the proposals in the Second Plan have been discussed above. Considering the fact that national income in India has maintained a rate of growth averaging about 3 per cent over the last four years, it would appear that a target of a 5 per cent rate of growth per annum is not over-ambitious, especially if the target investment set in the Plan frame is achieved. A number of points, however, deserve attention. In the first place, the problem of growth of the Indian economy is still very much linked to the performance in the agricultural sector. Of the increase in national income by Rs 2,900 million expected under the Second Plan proposals, more than 35 per cent would be the contribution from agriculture and allied pursuits. Much therefore depends on the extent to which current developmental efforts are successful in preventing agricultural output in India from being adversely affected by fortuitous factors like the monsoon.

Secondly, mention must be made of the fact that, in sharp contrast to the large developmental expenditure proposed, the proposed allocation of investment for the consumer goods sector is rather low. Of the total investment of Rs 14.000 million in industries, only Rs 1,000 million are intended for the factory consumer-goods industry and another Rs 2,000 million have been earmarked for State outlay on the promotion and development of household and hand industries. Such an allocation, in fact, has been made with a definite purpose in view; the idea is to put a temporary ceiling to both the capacity and the actual output of factory consumer goods, in order that small enterprises, which can provide employment in a greater measure, may be given adequate protection. Leaving aside the question whether or not the adoption of such a procedure will affect the long-term growth of technical efficiency, there remains the other problem. namely, whether such types of household industries can really be organized on such a wide scale.

Finally, reference must be made to the programme of employment incorporated in the Second Plan proposals. Of the 11 million additional job opportunities tentatively planned for 1956-61, 9.5 million are outside agriculture, of which about 3 million are to be created in small enterprises (including construction). In mining and factory enterprises, a 67 per cent increase in output is expected to generate additional employment for 1.7 million persons, or an increase of 42 per cent over the present level of employment. An increase of 2 million in employment is envisaged in the sector of tertiary services like wholesale and retail trade. The organizational problems which must be solved if these targets are to be reached are currently being discussed in India, and the decisions reached will obviously be reflected in the final shape of the Second Five-Year Plan.

1. The accent on a programme of industrial development is more noticeable from the figures given in table 47. In the public sector, total outlay on industry and minerals is more than six times as much as in the First Plan outlay. With electricity added, about 37 per cent of the public outlay under the Second Plan would be for industrial development.

Chapter 10. INDONESIA

During 1954-1955, the economy of Indonesia was still in a transitional stage. While a number of problems left by a long period of war and disruption had been settled, a steady rate of growth was not yet achieved, and the economy was not stabilized. Substantial progress was obtained in agriculture and in some sectors of industry. The situation of the budget, the balance of payments and the currency however raised pressing problems.

Both the budget and the balance of payments were in heavy deficit at the beginning of 1954. To counteract the budget deficit which generated strong inflationary pressure, various measures were taken, especially the cutting down of development expenditure in 1955 which permitted to reduce but did not eliminate the gap. To counteract the balance of payments deficit which had resulted in the depletion of foreign reserves at a dangerous rate, imports were drastically limited mainly by a system of quantitative restrictions. This policy reversed the trend as regards the trade balance and foreign exchange reserves but resulted in further pressure on domestic prices. These difficulties were reflected in the valuation of the rupiah which declined in the international market. The economic development programme, hampered by increased domestic prices and restriction on imports of capital goods as well as by more general factors such as the insufficient availability of know-how, lagged considerably behind schedule.

The new Cabinet, sworn in on 12 August 1955, which will hold office until replaced by another cabinet of the new government drawn from the first elected parliament in the spring of 1956, has taken vigorous action to improve the economic situation. In general its policy has been to eliminate quantitative restrictions on imports which had led to increasing prices and scarcities in some sectors; to limit imports instead through control of credit and money supply; to reduce the budgetary deficit to Rp 2,500 million in 1955 and Rp 1,000 million in 1956 and control inflation; and to promote economic development by a new five-year plan on the basis of the resources immediately available.

Indonesia's first general elections took place on 29 September 1955 in three quarters of the electorates, with the remaining districts casting their ballots before 29 November. Elections to a Constituent Assembly to draft a permanent constitution were to be held in mid-December 1955. Many basic decisions with respect to economic policy have been deferred so that they may be made by a parliament with a mandate. In the meantime, however, the government committees have been preparing drafts of such fundamental laws as a foreign investment law, a mining law, and a companies act. In addition, the National Planning Bureau has been completing its five-year plan (1956-60) for the country's economic development. The completed plan was expected to be ready for submission by the end of 1955.

PAYMENTS AND BUDGETARY DEFICIT

Payments deficit

From mid-1952 to mid-1954, Indonesia was losing foreign-exchange reserves at what is believed to have been a faster rate than in any other country in the region. The foreign assets fell from Rp 1,780 million in December 1952 to Rp 2,020 million in December 1953 and Rp 790 million in June 1954.[1] This reduction in the country's foreign assets was chiefly due to the deficit in current account on the balance of payments, accounted for mainly by a deficit in invisible transactions such as investment income, transportation and insurance. Starting in May 1954, the Indonesian Government took a series of measures to protect its international reserves. While some inducement was given to exports, these efforts aimed mainly at restricting imports. In July 1954, the Indonesian Government resorted temporarily to the escape clause in the Statutes of the Bank of Indonesia, permitting the bank to suspend its 20 per cent legal reserve requirements "in extraordinary circumstances".[2] The foreign assets, which fell by Rp 1,230 million in the first half of 1954, rose by Rp 940 million in the second half, thus bringing about a net decline of only Rp 290 million for the year. In the first half of 1955, they stayed more or less at the level of Rp 1,730 million reached at the end of 1954,[3] but declined again in July and August.

For the first half of 1955 there was a net surplus on current account of Rp 77 million—Rp 573 million less than in the second half of 1954 but a distinct improvement over the deficit of Rp 1,115 million in the first half of 1954. The major reduction in the surplus took place in the merchandise balance and was produced by a larger decline in export proceeds than in import payments.[4]

From the point of view of its major objective—the reversel of the declining trend in Indonesia's foreign assets—the exchange control applied since May 1954 can be considered a success. Also the commodity structure of imports in general has conformed to the policy decisions. In 1954 and the first half of 1955 there was, in total value of imports, a further growth in the relative share of capital equipment and raw materials—if not in absolute figures—and a further decline in the share of imports represented by consumer goods.

1. *International Financial Statistics*, December, 1955.
2. Article 16 of the Bank Indonesia Act of 1953 required that the bank maintain reserves in gold, convertible foreign currencies, or the right to draw on the International Monetary Fund equal to at least 20 per cent of the bank's demand liabilities. Paragraph 3 of Article 16 provided, however, that "in extraordinary circumstances, the Bank shall have the power to determine that, for a period not exceeding three months, the reserve requirement can be deviated from, up to a limit to be fixed thereupon".
3. *International Financial Statistics*, December, 1955.
4. The trade surplus is estimated at Rp 1,057 million on the basis of the foreign-exchange record (*Bank Indonesia Bulletin*, No. 6, p. 12); according to the Central Bureau of Statistics, it reached Rp 1,589 million if oil companies' transactions were included, and Rp 587 million if they were excluded (*Ibid.*, p. 13).

In 1955, however, it became increasingly apparent that the exchange-control policy was suffering from several major disadvantages. The efforts to restrict imports relied primarily upon quantitative limitations and not upon price limitations, with the consequence that government revenues were adversely affected by the reduction in volume of imports and that profits, which such a system facilitated, went to the importers and middlemen and not to the Government, thus creating further pressure on prices; the efforts to stimulate exports which consisted mainly in linking them to the right to import in the case of commodities difficult to export, thus bypassing the official exchange rate, had not resulted in substantially increasing total exports nor in strengthening the value of the rupiah. Also, more efforts were indispensable to eliminate the inflation-generating, import-demand-creating budget deficit.

To meet these shortcomings the new Cabinet instituted a series of major reforms. The free market value of the rupiah, which had fallen to less than one-fourth of its official value by August 1955, reacted by rising to more than one-third of its official value in September. With respect to both imports and exports the changes involved a considerable simplification in procedures, and with respect to imports both a liberalization of trade and a change from reliance on quantitative restrictions to price restrictions from which it is hoped the lion's share of the "quota profits" will accrue to the government.

The new procedures were published in a joint announcement of the Monetary Board, the Minister of Economic Affairs, and the Foreign Exchange Institute, effective 1 September 1955. The old lists A, B 1, B 2, and C were replaced by new Groups I, II, III, and IV. A process of rationalization and reassignment is under way to achieve an import composition more appropriate to production and development needs. All import surcharges valid at the date of the announcement were abolished and replaced by new surcharges—again called T.P.I.—of 50 per cent on Group I goods, 100 per cent on Group II goods, 200 per cent on Group III and 400 per cent on Group IV. This system will increase the charges to be paid by the importers. The Monetary Board can announce exemptions from all surcharges for particular commodities.[1]

The announcement further provided that: "The regulations concerning the Hong Kong compensation transactions, Singapore-barter . . . parallel transactions, import of goods with "free" exchange[2] and via the Jajasan Perbekalan dan Parsediaam[3] are all abolished". Also abolished was the former import control office of the Ministry of Economic Affairs (Kantor Pusat Urusan Impor), and in its place was established, with a much smaller staff, the Bureau for Foreign Trade Exchange in which will eventually be centred foreign-exchange control for all merchandise transactions, both export and import. Importers, after establishing their *bona fide* status, may apply for foreign exchange at any of the ten banks authorized to deal in foreign exchange.

National importers must make a pre-payment of the full counter-value of foreign exchange requested, plus all surcharges, at the time application is made, not at the time it is granted as under the previous pre-payment arrangements. Foreign importers must make a minimum pre-payment of Rp 5 million before making any applications, but this can then be drawn as applications are made. To prevent this system from hampering import activities, administrative reforms have been effected to reduce the time for processing applications to about a week. While the need for rehabilitating export trade was clearly recognized, major attention was nevertheless given first to reforms of import policies and procedures on the grounds that if import regulations were not first improved, much of the benefit of exports would "go down the drain". It was decided that whatever measures were to be adopted for the encouragement of exports they would not take the form of tying exports to import privileges.

On the whole, this new policy represents an effort to re-establish, at least temporarily, contact with the "free" market forces and it has been decided to grant applications for all imports the prices and quality of which are satisfactory. The limitation of imports, which remains indispensable, is to be achieved mainly through a restriction in the money supply to be obtained by the pre-payment of imports,[4] the increased surcharges and the stricter credit policy imposed on the banks by the Central Bank. The government hoped that the higher surcharges on trade would increase government revenues without resulting in increased prices of imported goods on the internal market, as the system is designed to permit a reduction of the profits of importers and distributors of imported goods. This "indirect approach" to the problem of balance of payments is expected to be strengthened by other efforts of the government in the budgetary and fiscal fields which will contribute to limiting the money supply and controlling inflationary tendencies.

Budgetary deficit

The continuing government deficit has been the major source of inflationary developments in the Indonesian economy in recent years. The pressure on supplies of domestic products, the demand for increased imports and the upward tendency of prices have largely derived from this source.

The provisional results show that the 1954 deficit amounted to Rp 3,618 million as against Rp 2,240 million in 1953.[5] Expenditure was higher in 1954 than in 1953 while revenue was lower. The 1954 government cash deficit was estimated at Rp 3,533 million as against Rp 3,047 million in 1953.[6]

1. The first two commodities for which such exemptions were announced were powdered milk for children and college text-books.

2. This provision had been intended originally to facilitate the importation of goods the foreign exchange for which was provided, in one way or another, from sources outside Indonesia's foreign-exchange earnings or reserves. However, in practice, it largely facilitated the importation of goods the foreign exchange for which was obtained on the free market or by under-valuing exports.

3. "The Stock and Supply Foundation", a semi-autonomous government foundation domiciled in the Ministry of Economic Affairs, charged with the bulk importing of textiles and their allocation among domestic dealers.

4. It was estimated that approximately Rp 1,000 million were withdrawn from the money supply through the new procedure on pre-payment alone.

5. Or Rp 2,940 million if transitory items are incorporated. The provisional results for 1953 and 1954 are as follows (in million rupiah):

	1953	*1954*
Expenditure	11,947[a]	12,069
Revenue	9,707	8,451
Deficit	2,240[a]	3,618

Source: Consultative Committee for Co-operative Economic Development in South and South-East Asia, *Fourth Annual Report*, Singapore, November 1955.

a. Excluding transitory items for 1952 amounting to a total of Rp 700 million.

6. It should be added that the budget for 1954 was only presented to Parliament in September 1954. In Indonesia, the fiscal year is identical with the calendar year; with the exception of the 1953 budget, no Indonesian budget has been prepared and submitted before the beginning of the budgetary period concerned. In addition, budgetary controls and budgetary reporting have not always operated effectively, and consequently final figures of results have lagged and made it sometimes difficult to relate results to the appropriate budget. For this reason the cash deficit of the government has been considered in some instances, in analysing the current functioning of the economy, rather than the budget results.

The amount of expenditures for the security sector (including "home affairs") increased in 1954 and represented nearly 63 per cent of net ordinary (as distinct from capital) budget expenditure of Rp 9,199 million.[1] The distinction in the budget between ordinary and capital expenditures follows the conventions of Dutch budgetary practices and does not conform to the economic distinction between current expenditure and investment expenditure. A detailed study of the budgets indicates that public investment rose from Rp 2,170 million in 1953 to Rp 2,435 million in 1954.

TABLE 48

INDONESIA: GOVERNMENT DEVELOPMENT EXPENDITURE, 1953-55

(million rupiah)

	1953 (Revised budget)		1954 (Revised budget)		1955 (budget)	
	Amount	%	Amount	%	Amount	%
Agriculture, forestry and fishery	228	10.5	281	11.6	155	12.0
Transport	878	40.4	990	40.6	485	37.3
Fuel and power	222	10.2	329	13.5	246	19.0
Industry and mining	368	17.0	382	15.7	137	10.5
Social capital	227	10.5	325	13.3	209	16.0
Other[a]	247	11.4	128	5.3	68	5.2
Total	2,170	100.0	2,435	100.0	1,300	100.0

Source: Consultative Committee, *op. cit.*
a. Buildings and heavy equipment for multi-purpose projects, etc.

With respect to tax receipts, the fiscal year 1954 was characterized by a sharp decline in taxes and surcharges derived from foreign trade (see table 49), and an increase in direct taxes from Rp 2,027 million in 1953 to Rp 2,439 million, owing mainly to increased revenue from company (especially oil companies) taxes and transitional income taxes, and to an improvement in the efficiency of the tax-collection machinery.

The budget deficit in 1954, as in the previous year, was financed principally by loans from the Bank of Indonesia and partly by advance payments received from importers and a running down of cash balances.

TABLE 49

INDONESIA: COMPOSITION OF TAX RECEIPTS AND SURCHARGES FROM FOREIGN TRADE, 1953-55[a]

(million rupiah)

	1953[b]	1954	Increase (+) or decrease (—) of 1954 over 1953	1955
Import duties	1,283	995	— 288	1,050
Export duties	1,013	544	— 469	666
Statistical duties[c]	45	40	— 5	43
Import surcharges	1,914	1,179	— 735	1,100
Total charges on foreign trade	4,255	2,758	—1,497	2,859
Invisibles surcharges	—	296	+ 296	400

Source: Ministry of Finance and National Planning Bureau.
a. Actuals for 1953-1954, estimates for 1955.
b. Based on Bank Indonesia, Report for the year 1954/55, p. 67.
c. The duty has been levied to maintain the Central Bureau of Statistics at the rate of 1 per cent of the price of goods imported and exported since 11 August 1949.

1. Bank Indonesia, *Report for the Year 1954-55* (Djakarta, 1955), p. 66.

While much less clear-cut than the change in import policy, there has been in 1955 a concurrent effort to improve budgetary control, in addition to a cutting down of the development outlay from Rp 2,435 million in 1954 to Rp 1,300 million. This effort could not eliminate the budget deficit itself, but seems to have reduced it.[2] In the first half of 1955 the indicated cash deficit of the government, computed directly from movements in the Treasury Account and government cash and balances, was Rp 1,236 million, as compared to Rp 1,559 million in the first half of 1954, and Rp 1,974 million in the second half of 1954. Thus, while the budget estimates for 1955 forecast a deficit of approximately the same size as in 1954 (Rp 3,498 million), the actual cash deficit for the first half of 1955 was at a considerably lower annual rate. Perhaps even more significant is the fact that since May 1955 there has been no further increase in the Bank Indonesia advances to the government.

MONEY SUPPLY AND PRICES

Money supply

Money supply in Indonesia rose by Rp 920 million or 14 per cent in 1953, by Rp 3,840 million or 45 per cent in 1954, and by Rp 1,610 million or 14 per cent in the first half of 1955. The factors accounting for these changes in money supply in 1954 and the first half of 1955 were of the following order:

TABLE 50

INDONESIA: FACTORS AFFECTING CHANGES IN MONEY SUPPLY, 1954-55

(million rupiah)

	1954		1955
	Jan-Jun	Ju-Dec	Jan-Jun
Government's budget deficit	+1,893	+1,449	+1,318
Changes in private credit creation	+ 277	+ 156	+ 464
Changes in foreign-exchange reserves	—1,038	+ 769	+ 44
Miscellaneous	+ 73	— 105	— 236
Total increase in money supply[a]	+1,205	+2,269	+1,590

Source: *Bank Indonesia Bulletin*, No. 6, p. 7.
a. Not including deposit money held by foreigners.

The government's budget deficit, the most important factor, showed a continuing decline during the three half-year periods, while substantially the reverse was true of private credit creation; in the second quarter of 1955 the latter underwent a rise of Rp 427 million owing to sharp rise in prices, and stagnation in the export of some products. The improvement in foreign-exchange reserves reversed a previously restraining influence over the increase in money supply. The

2. The budgetary results of the first quarter of 1955 (the latest published by the Ministry of Finance) as compared with the same quarter in 1954 were as follows:

	First quarter 1954	*First quarter 1955*
	(million rupiah)	
Actual expenditures	3,414	3,689
Actual revenues	2,576	3,269
Deficit	838	420

deflationary effect of the "miscellaneous" causes in the first half of 1955 was attributable mainly to a rise in the capital and reserves of banks, their time deposits and "margin deposits."[1]

Price movements

As noted, the major factors underlying price developments in 1954 and 1955 were the continuing, although declining, government deficit and the restriction of imports. Both factors were reflected in a continued increase of money supply, the rate of which accelerated in the second half of 1954 but slowed down in the first half of 1955. Among factors which contributed to lessen the inflationary pressure, the main ones were an increase in food production in 1954, and an increase in some sectors of industrial production in both 1954 and 1955.

TABLE 51

INDONESIA: INDEX NUMBERS OF FOOD PRICES, 1952-55

(December 1952=100)

	Twelve foodstuffs	Nineteen foodstuffs		
	Countryside of Java	Djakarta	Medan	Macassar
1953 December	97	111	109	105
1954 March	86	108	106	108
June	74	109	113	110
September	85	111	122	114
December	92	123	128	123
1955 January	94	126	130	127
February	99	132	140	137
March	101	138	145	153
April	98	141	149	160
May	99	142	158	162
June	104	143	..	168
July	107	144	..	163
August	115	147	..	164
September	122	159	..	..

There is no available cost-of-living index which would permit an evaluation of the total result of these various factors. However, there is no doubt that prices rose substantially from the second half of 1954, mainly in towns.[2] In the countryside food-price levels declined until the middle of 1954. Since the middle of 1954, food prices have risen both in the countryside and in the towns, the inflationary pressures more than outweighing the increased supplies (see table 51). The import-restriction policy since May 1954 accelerated the rise in the price of imports. The wholesale-price index for 44 imported commodities in Djakarta rose by 11 per cent in the second half of 1954, at the same rate as in the first half of the year; it rose further by 6 per cent during the first quarter of 1955.

The prices of imported goods continued to rise through August, but in September textile prices dropped by as much as 45 per cent for some grades, and most other imported goods registered more modest declines.

PRODUCTION AND TRADE

Agriculture

The year 1954 was a good year for *food crops*. In Java and Madura rice output was 9 per cent higher, and maize 60 per cent higher, than in 1953. Cassava production declined by barely 1 per cent; only potatoes showed a substantial decline of 14 per cent. In general the weather was good and with the exception of the Djambi district in East Sumatra, flood damage in 1954 proved less extensive than was originally feared.

In the Outer Islands the picture was generally the same—the output of sweet potatoes declined but the output of most other food crops increased. These production results had a favourable influence on the balance of payments. Rice imports were reduced by 99,000 tons which, combined with lower prices, led to foreign-exchange savings of Rp 327 million as compared with 1953. At the same time exports of peanuts and cassava increased. Cassava export proceeds increased by Rp 41 million over 1953, those from peanut exports by Rp 12 million. Exports of soya beans were, however, almost totally stopped in an effort to increase domestic consumption to improve the nutritional content of the national diet; soybean preparations are being used experimentally in child feeding programmes.

The government continued its efforts to improve and extend irrigation, prevent erosion, and encourage the use of improved agricultural techniques. The Department of Agricul-

1. According to the Government Ordinance Bearing upon the Supervision of the Credit System promulgated on 15 January 1955, the minimum paid-up capital required was raised to Rp 2.5 million for commercial banks and Rp 500,000 for savings banks.

2. A calculation by a government agency on the basis of pre-war weights which have not yet been replaced would give an order of magnitude of 40 per cent increase between 1954 (average) and August 1955.

TABLE 52

INDONESIA: FOOD CROP PRODUCTION, 1952-54[a]

(Thousand tons)

	All Indonesia			Java and Madura		
	1952	1953	1954	1952	1953	1954
Rice	6,387	7,030	7,561	4,000	4,261	4,664
Maize	1,637	1,815	2,668	1,204	1,303	2,084
Cassava (tapioca)	7,536	8,953	9,443	5,088	6,468	6,400
Potato, Sweet	2,291	2,176	2,038	1,260	1,231	1,053
Peanut (in shell)	286	365	448	209	268	331
Soy bean	286	307	401	266	275	361

a. Data supplied by government which in some cases differ slightly from FAO figures as published in *infra*, Asian Economic Statistics.

ture and Forestry has reclaimed over a million hectares of land since the war, and has raised output per hectare as well. The expansion of food production, especially of rice, has been significant. By the end of 1954 the area planted with high-quality paddy reached a total of 1.7 million hectares and the area under green fertilizer was extended to a total of 55,000 hectares. The quantities of chemical fertilizer imports also rose from 101,300 tons in 1953 to 104,500 tons in 1954.

The food crop outlook for 1955 was not as favourable as in the previous year. Weather conditions were less satisfactory and floods resulting from heavy rains caused losses, especially in deforested areas. Because of a short supply of arsenic, losses caused by field mice and rats were higher. In some areas there were insufficient seedlings. Also, as rubber and tobacco prices rose on the world market, some substitution of small-holder rubber and tobacco for food crops occurred.

During the period January-April 1955 larger areas of rice, cassava and soya beans were harvested than in the corresponding period in 1954, while the area of maize harvested was much smaller. For other crops it was about the same as in 1954. The area under cultivation at the end of April 1955 was, however, smaller for all crops with the exception of maize and soya beans, for which it was larger than at the end of April 1954. Recent estimates indicate a food crop below the record level of 1954, with the paddy crop falling off by about 5 per cent. The course of internal inflation led to a deterioration of the food producers' "terms of trade" and the apparent decline in rice production may reflect increased consumption in the countryside.

TABLE 53

INDONESIA: HARVESTED AND PLANTED AREA OF MAJOR FOOD CROPS, 1954/55

('000 hectares)

	Harvested area		Planted area	
	Jan/Apr 1954	Jan/Apr 1955	end-Apr 1954	end-Apr 1955
Rice: Irrigated	709	1,037	2,474	2,201
Dry	234	253	25	10
Maize	1,146	820	304	310
Cassava	145	186	784	775
Potatoes, Sweet	52	53	50	48
Peanuts	84	82	91	83
Soya beans	56	86	103	112

Rubber production in 1954 reached the 1952 level of about 750,000 tons. This level of output was, however, only achieved by heavy tapping of trees under the stimulus of the upturn of the world trend in rubber prices from April 1954.

In the early months of 1955, it would appear that production no longer increased and, perhaps, decreased, because of aging trees, damage by heavy rains in the last quarter of 1954, especially in South Sumatra, and destruction of young trees in East Sumatra. Estate production was 131,100 tons in the first half of 1955 as against 148,900 tons in the second half of 1954. This decline in estate production may partially reflect the selling of rubber on local markets by estates for export as small-holder rubber because of a higher inducement received for it.

Proceeds from rubber exports declined by 2 per cent in 1954 as compared to 1953, the increased prices and small-holders' exports in the latter part of the year not quite offsetting the lower prices in the first part of the year and lower estate exports for the whole year.

In the first half of 1955, although export of estate rubber was estimated to have dropped by 27 per cent in quantity as compared with the first half of 1954, export proceeds increased by 20 per cent owing to the rise of prices in the world market. Exports of small-holders' rubber rose by 5 per cent during this period as compared with the similar period in 1954 and their proceeds increased by nearly 100 per cent.

The major destination for estate rubber exports were the United States and West Germany; for small-holders' rubber, Malaya and the United Kingdom.

In an effort to expand export proceeds by increasing the degree of processing within Indonesia, and at the same time to give the small-holder producers a larger income, the export of rubber slabs from South Sumatra was prohibited. A mixed company, N.V. Karet Sumatera Selatan, was established in September 1954 to buy slabs from small-holders and sell them to the growing remilling industry around Palembang which now employs more than 4,000 workers. In the first quarter of 1955 N.V. Karet achieved a purchasing rate of 13,000 tons of slabs monthly.

While still Indonesia's fourth largest earner of foreign exchange (after rubber, petroleum and tin), *copra* output is increasingly being absorbed by the domestic market. Production in 1954 at 728,000 tons was slightly higher than the prewar (1934-38) average of 718,000 tons, but export during the period fell from 554,000 tons to 296,000 tons.

In the first half of 1955 the Copra Fund, until recently the sole legal purchaser of copra in Kalimantan and East Indonesia, purchased 188,000 tons, or 14,000 tons less than in the first half of 1954, and exports for all Indonesia were 108,800 tons, or 27 per cent lower than in the corresponding period of 1954. Export preceeds in the first half of 1955 dropped by Rp 128 million, or 40 per cent below the corresponding period of 1954. While exports have in general been declining, those from Sumatra which are not carried out through the Copra Fund have been increasing.[1]

There had ben some criticism of the operations of the Copra Fund and a decision was taken at a conference of interested parties, in December 1954, to decentralize its operations. In implementation of this decision, a Copra Co-operative Marketing Board for North Sulawesi (Celebes) has been established. Up to July 1955 it had bought 25,862 tons of copra.

The increase of domestic copra consumption reflects increased domestic production of end-products. Production of coconut oil has doubled since before the war, but exports of oil have almost vanished. There has been a proliferation of small soap-making factories.

Compared with 1953, *tea* production in 1954 increased by 24 per cent to 46,900 tons and tea exports by 40 per cent to 40,228 ons (export proceeds rose by 70 per cent to Rp 454

1. Here the producer receives a higher price than that fixed by the Copra Fund, and even at this high buying price the private exporter finds it profitable to sell the copra in Singapore for Malayan dollars which can be disposed of on the free market.

million). In the first half of 1955 production continued at the level achieved in the corresponding period of 1954, but exports were lower by 36 per cent in volume and 12 per cent in value. Extension of the area under cultivation, success in combating the "blistor blight" that had reduced the crop in 1952 and 1953, and improved labour productivity were major factors in the increase of production.

Estate *coffee* production, after a good year in 1953, declined by 37 per cent to 14,196 tons in 1954, but revived in the first half of 1955. Small-holder production continued the increase that had begun in 1952 to 42,800 tons in 1954, enabling combined exports to rise from 32,223 tons in 1953 to 37,336 tons in 1954. Exports and prices both declined in 1955. In order to encourage exports, coffee exporters have since 6 June been given licences to import goods up to 10 per cent of the f.o.b. value of the coffee exported.

The Indonesian *sugar* industry had suffered the most severe decline of all the export crops as a result of war, occupation, and civil disturbance, falling from 1938 production of 1.4 million tons to 718,000 tons in 1954. Since 1950, however, there has been a steady expansion of output and since 1953, substantial exports have resumed. Domestic consumption at 499,000 tons in 1954 was more than double the 1938 level of 225,000 tons. Sugar production in the first eight months of 1955 totalled 612,000 tons compared with 525,000 tons in the corresponding period of 1954.

Mining

Crude-oil production continued to increase slowly from 10.8 million tons in 1954 to 5.8 million tons in the first half of 1955. Crude-oil imports declined to 2.1 million tons in 1954, or by 6 per cent, and continued to decline in the first half of 1955 to 619,000 tons or by more than 50 per cent compared to the corresponding period of 1954.

As in the case of copra and, to some extent, of sugar, domestic demand for petroleum products is increasing at a rate sufficient to put pressure on supplies available for export, which rose from 1938 total of 6 million tons to 7.6 million tons in 1954. It declined, however, during the first half of 1955, owing to a reduction in road traffic connected with restrictions on imports of motor vehicles and accessories. Indonesia's present production of crude oil is mostly from "old" fields—the exception is the Minas field of Caltex—which have reached the limits of their production rates and in many cases are in or approaching their declining phase. No basic mining law has been promulgated and, in expectation of such a law, no new exploration concessions have been granted. Indonesia's refining capacity already exceeds its crude-oil producing capacity, and as domestic consumption increases, a major source of foreign exchange might decline if production were not stepped up.

In 1954 new agreements were concluded with Caltex and Stanvac covering periods of 5 and 4 years respectively. Monthly transfer of profits is tied to commitments of new investment of $70-80 mililon by Stanvac and of $60 million by Caltex.

Production and exports of *tin-in-concentrates* rose in 1954 by 6 per cent and 4 per cent respectively, compared with 1953, to 36,437 and 34,486 tons. Both were at a lower rate in the first half of 1955. Prices rose in the first half of 1954, fell in the second half, and rose again in the first half of 1955 after the decision was taken to continue smelting operations in Texas.

Industry

More adequate industrial statistics are being developed by the Central Bureau of Statistics, but are not yet available. Direct production statistics are regularly published only for the large weaving and spinning mills. The output of these mills has increased steadily since 1951, as shown in table 54.

An indirect indication of the level of industrial activity can also be obtained from statistics on the import of industrial raw materials. The trend in the volume of these imports has varied as between the individual industries. However, for most industries, with the exception of textiles, there has been an increase in raw material imports in 1955 over 1954. The fact that the supply of raw materials has often been erratic has had a disruptive impact upon the functioning of industry. It is probable that the larger concerns with better trade connections, more ample resources, and more experienced management, were able to maintain operations at a steady level and that the impact of the uncertainty and inadequacy of raw material supplies fell more heavily upon small-scale and co-operative industries. In 1954 and 1955 this was particularly true of kretek cigarette producers and batik works.

TABLE 54

INDONESIA: STATISTICS ON MAIN WEAVING MILLS, 1952-1955

	Number of mills		Yarn consumption	PRODUCTION			
	Total	In operation	('000 tons)	Sundry ('000,000 m)	Slendang ('000 pieces)	Sarong ('000 pieces)	Towels ('000 pieces)
1952	72	61	6.1	29.1	113	3,224	1,863
1953	76	67	8.6	42.8	71	3,579	2,779
1954	73	65	9.2	46.1	14	3,925	2,611
1955 (Jan-Mar)	71	68	2.7	13.1	3	933	752

TABLE 55

INDONESIA: INDEX NUMBERS OF IMPORTS OF INDUSTRIAL RAW MATERIALS, 1940 AND 1952-1955
(1950=100)

Industry	Material	1940	1952	1953	1954	1955[a]
Breweries	Malt (inclusive of flour and extract)	—	207	264	294	320
Printing works	Paper	67	102	106	111	118
Paint industry	Zinc white	151	74	98	66	160
	Red lead	298	99	155	44	58
Weaving mills	Cotton yarn	85	53	84	94	71
Batik works	Grey shirtings, sheetings and supers	61	45	61	33	48
	Bleached cambrics and shirtings	261	231	284	277	202
	Wax (various kinds)	83	20	38	19	—
Kretex cigarette works	Cloves	64	57	30	70	82
Construction shops	Sheet iron	257	170	264	352	222
	Bar iron	157	120	110	137	159
	Profile iron	212	103	192	136	291
Building industry	Cement	111	171	137	201	209
Miscellaneous	Caustic Soda	104	118	96	112	199

a. Annual rate on basis of Jan-Apr returns.

While the supply of electric power was only about 10 kWh per capita in 1954, there has been a significant increase in generating capacity of electric power from 162,609 kW in 1949 to 227,309 kW in 1954. Sixty-eight per cent of power production in 1954 (812 million kWh in 1954 or 60 million kWh above 1953) was for lighting and other domestic uses. There are also many plantations, mines and industrial enterprises which have their own generators.

According to the Central Bureau of Statistics[1] there has been an increase in the use of power relatively to labour force, suggesting increased mechanization as local costs for labour and materials rose. The figures also seem to indicate that capacity has been rising faster than output. This appears to be especially true of weaving and knitting, for which it was estimated that output could be doubled with existing plant facilities if the flow of raw materials and supply of supervisory personnel were adequate.

Of the *large-scale industries* first proposed in the 1951 Economic Urgency Programme, the programme for *printing* plants was a success.[2] It was originally intended to build six units, but it was found possible to extend this to seven. These plants have all been completed at a total cost of Rp 14.3 million and sold to private domestic enterprises on credit. The *cement* plant at Gresik, near Surabaja, is the largest single plant in this programme, absorbing $14 million of the $100 million Export-Import Bank of Washington credit line set up in 1950. Domestic expenditures are estimated at Rp 50 million. The project was delayed, but by the end of 1954 the contract was let to an American company for the construction of the plant and the land was acquired. By mid-1955 work on the plant itself was well under way, and it was expected that the project would be completed early in 1957. Production was estimated to reach 200,000 tons per year. Of the original projects for seven *rubber remilling* plants with an annual capacity of 11,700 tons, only the remilling units at Palembang and Siak have been fully completed. The Bank Industri Negara has been entrusted with the implementation of the Tjilatjap *spinning mill* project on the south coast of Java. The plan called for the establishment of a 30,000-spindle factory with an initial capacity of 800 tons per annum and 2,400 tons at the stage of full operation, or about 20 per cent of Indonesia's present consumption of yarn. After some delay, the building was completed and the equipment arrived from Japan. It was hoped that the plant would be running by the end of 1955. The other major government activity in the spinning industry was to convert the previously-established private firm, "Jatra", into a "mixed" enterprise and to finance the expansion of its spinning mill in Samarang. The *desiccated coconut* mill at Sukur, Northern Sulawesi (Celebes), has been completed and in operation for over two years. This factory, financed by the Copra Foundation, has a capacity of 27.2 tons per day of 24 hours operation, or 8,165 tons per year of 300 days. Philippine experts assisted in the management and in the training of a technical staff.

Efforts to implement three other government industrial projects met with mixed success. A *cardboard* factory to be erected by the Bank Industri Negara at Banjuwangi, East Java, with the assistance of German technicians, was still in an early stage. Investment was expected to amount to Rp 10 million, of which Rp 3 million represented the counterpart of foreign-exchange expenditure. Estimated production after completion was 1,500 tons per annum. The *gunny bag* factory being erected by the Bank Industri Negara at Surabaja, after making slow progress, was nearing completion. The *Salt and Soda Monopoly*, a government enterprise, was building a caustic soda factory in Waru near Surabaja. This factory, built at a cost of about Rp 80 million, was expected to come into production before the end of 1955.

All projects proposed in the Economic Urgency Programme were originally scheduled for completion before the end of 1953. Financing does not appear to have been the major obstacle in the public sector as regards this programme.

1. The Central Bureau of Statistics has had in preparation a survey of the industrial sector, based on periodic reports from more than 15,000 firms stating the amounts of main raw materials and power consumed, number of employees, total wage bill, and volume of output by major products. The assembly and analysis of this material had not yet been completed at the time of writing but a study of the unpublished figures indicates that the expanding industries include leather and shoes, food preserving and packing, building materials, enamel-ware, bicycle assembling, beer and soft drinks, cigarettes, rubber remilling, processing and fabrication, weaving, and knitting.

2. Most of the information given in the following paragraphs was taken from the report of the Institute of Economic and Social Research, "The government's programme on industries", in *Economi dan Keuangan Indonesia*, November 1954.

The capacity of the implementing agencies to absorb capital has been more limited than originally foreseen and the allocations in the State's budget for industrial development were not fully utilized. Only half the allocation in 1953 could be disbursed, and on the basis of preliminary results the same appears to have held true in 1954.[1]

With respect to *small industries*, the Economic Urgency Programme in 1951 aimed at the establishment of *induks parusahaan*, or central production and processing units; extension of loans and credit; and research and training.

The *induk* programme was designed mainly to improve quality, to introduce better techniques and organization, to increase the degree of standardization, and to promote co-operative organization, particularly for purchase of raw materials and sale of final products.

Eight *induk* were in operation at the end of 1954. One wood works had been established in Klender, but was not operating satisfactorily. An iron works was organized in Tjisaat in June 1953, comprising five enterprises with ten employees each. With modern equipment imported from Germany and Sweden, this *induk*, which produces saws, hammers, knives, hoes and other simple tools, has been in regular production since March 1954 and has run behind delivery schedules and experienced marketing difficulties. The ceramics *induk* at Plered found that improvement of quality required bringing raw materials from other parts of Indonesia at considerable cost, and experienced difficulty in competing with goods imported from abroad, which are usually preferred by the local population. Over two-thirds of its output consists of vases and ash-trays marketed at rather high prices. Among the three leather *induk* in operation, the one in Magelang operated at a loss in 1953, but made a profit in 1954, when marketing was turned over to one of the old-established big trading firms. The one umbrella *induk* is not mechanized, but serves as a purchasing and sales agency and as a centre for information on improvement of standards. Some 800 family enterprises, which provide a cash income supplement to peasant families, belong to the *induk*. After suffering a loss in 1953 this *induk* made a profit in 1954 when distribution was assigned to a large private marketing firm. Finally, there is one textile *induk*, with modern equipment, comprising six enterprises with a total of fifty employees, which has operated below capacity.

In order to accelerate the creation of *induk* and to improve their functioning, the JADO (Foundation for Administration and Organization) was established in 1955. This organization aimed at improving the financing of the *induk* and the marketing of their products; Rp 60 million were to be spent in the coming year.

The *loan and mechanization programme*, which was designed in 1952 to provide mechanical equipment to small individual enterprises with US aid, was to include 19 enterprises in West Java, 17 in Central Java, 36 in East Java and Madura, a total of 72 industrial ventures in Java, and 82 in the country as a whole. Late in 1954, machinery had been ordered for 56 of these enterprises, and was beginning to arrive in Javanese ports.[2]

The programme of *research and training* for industry was to cover both small and large industry. Thus far, it has been less successful in meeting the needs of large industry, especially on the training side, than it has been for small industry, and is still on a limited scale. The institutes already set up trained a limited number of skilled workers, foremen, laboratory workers and analysts; these included the Institute of Industrial Research in Djakarta, the Chemical Research Institute and the Rubber Research Institute in Bogor, the Textile Research Institute and the Ceramics Research Institute in Bandung (still in the formative state), the Industrial Materials Research Institute (without training facilities), the Leather Research Institute, and the Research Institute for Batik Works is Djogjakarta. To provide training at a somewhat lower level of skill some 200 technical schools were maintained by the Ministry of Education; 30 vocational training centres by the Ministry of Labour; and a number of industrial institutes for higher-level training by the Industry Department of the Ministry of Economic Affairs. The United States Government has assisted in the training of instructors for those schools. Almost all government departments and most of the larger companies operate separate training schemes for their personnel.[3] The Ministry of Education has also sponsored 212 fellowship awards of various kinds. Of those, about half came under the United Nations technical assistance programmes; others were provided under United States aid programmes and under the Colombo Plan. The expansion of training facilities, including an institute for public administration, is being planned.

At the university level, the technical and science faculties of the University of Indonesia at Bandung are well housed and equipped, with the exception of the mining engineering and electrical engineering departments.

Trade

Indonesia's difficulties with its trade balance began with a drastic decline in export earnings in 1952 from the 1951 level, owing mainly to a greater fall in prices of major exports, following the end of the Korean-war boom, than in the prices of major imports. The terms of trade fell from 104 (1950=100) in 1951 to 77 in 1952 and 76 in 1953. This trend was reversed in 1954 when terms of trade rose to 80. In the first five months of 1955 they rose further to a monthly average of 89.[4]

1. "Indonesia's economic and social developments in 1954", in *Economi dan Keuangan Indonesia*, July 1954.

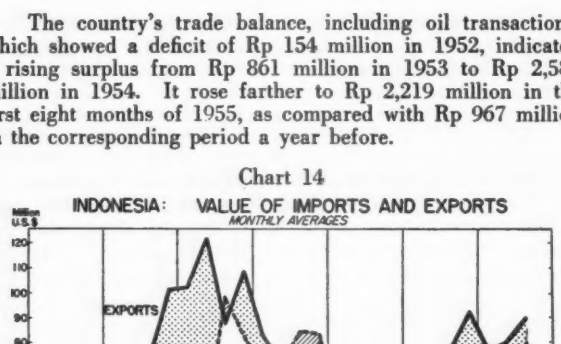
2. In explaining the limited success of the small industries programme the Institute of Economic and Social Research in its report distinguishes between "internal" and "external" factors. Important among the internal factors were: neglect of the marketing aspects; lack of technical knowledge; lack of managerial ability and business organization; lack of capital; and inadequate raw material supplies. Among the external factors, it stresses the "complexity and slowness of administrative procedure". Other factors were: cumbersome industrial regulations and inadequate import and foreign-exchange policies.

3. A number of Indonesians are being trained for industrial occupations, at all levels, by foreign private enterprises. The petroleum companies have had various training programmes involving thousands of employees.

4. Bank Indonesia: *Report for 1954-55*, p. 105 and *Bulletin* no. 6, p. 17.

The country's trade balance, including oil transactions, which showed a deficit of Rp 154 million in 1952, indicated a rising surplus from Rp 861 million in 1953 to Rp 2,587 million in 1954. It rose farther to Rp 2,219 million in the first eight months of 1955, as compared with Rp 967 million in the corresponding period a year before.

Chart 14



These developments took place partly owing to a stepping-up in the volume of major exports—especially rubber, petroleum and petroleum products, and sugar—and, to a larger extent, through the increasingly severe restriction on imports, particularly consumer goods, in line with the policy of protecting foreign-exchange reserves. The value of capital goods as well as raw materials imported also decreased from Rp 4,844 million in 1953 to Rp 4,473 million in 1954, a trend which contributed to slowing down the implementation of the development plan. The share of capital goods and raw materials in total value of imports, however, increased from 56.4 per cent in 1953 to 62.4 per cent in 1954, while that of consumer goods fell from 43.6 per cent in 1953 to 37.6 per cent in 1954. In June 1955, the share of consumer goods in the total value of imports declined further to 30.3 per cent, while the share of capital goods and raw materials rose to 69.7 per cent.

While Hong Kong, Germany, Japan, Malaya, Netherlands, the United Kingdom and the United States claimed two-thirds to three-fourths of Indonesia's trade in pre-war (1938) and post-war years, there has been a significant shift in Indonesia's post-war trade with these countries. The post-war decline in Indonesia's trade with the Netherlands, the United Kingdom and Germany is offset by the post-war rise in its trade with Malaya, Hong Kong, Japan and the United States. (see table 56).

In 1954 as compared with 1953, the share in Indonesia's value of trade declined for the Netherlands and the United States, but rose for Japan, with little change for other countries.

During the first four months of 1955 as compared to the same period a year before a rise occured of exports to the United States and Japan, while exports to the United Kingdom and Netherlands dropped, and those to Malaya showed only slight changes. Similarly, imports from Japan declined sharply, and imports from the United States dropped, while imports from Europe increased slightly.

ECONOMIC DEVELOPMENT PLANNING

General economic planning is the responsibility of the National Planning Board, a policy-making body composed of the nine Cabinet members most directly concerned with economic development, under the chairmanship of the Prime Minister. The National Planning Board makes the basic decisions in matters of planning and reports to the Council of Ministers for approval.

The National Planning Bureau is established as part of the Office of the Prime Minister, who appoints its Director. The bureau is responsible for collecting materials and drafting economic plans, programmes, and proposed policies. The Director of the Planning Bureau reports directly to the Planning Board, and at the same time is both the Chairman of the Inter-Departmental Co-ordination Commission, which co-ordinates policies and plans between the various ministries and governmental agencies, and Secretary of the Planning Board.

The task of proposing particular development projects belongs to the ministries concerned. The ministry concerned submits the project to the Planning Bureau for further analysis and the bureau in turn submits the project with its recommendations to the board. The execution of the project, after approval, reverts to the department directly concerned, either alone or, where appropriate, in co-operation with other ministries.

TABLE 56

INDONESIA: DIRECTION OF TRADE, 1938, 1953 AND 1954

(million rupiah)

	IMPORTS						EXPORTS					
	1938	%	1953	%	1954	%	1938	%	1953	%	1954	%
Netherlands	106	22.2	1,033	11.7	750	10.4	137	19.9	2,208	23.0	1,882	19.3
UK and Irish Republic	38	7.9	614	7.0	389	5.4	37	5.4	199	2.1	455	4.7
Germany	49	10.3	574	6.6	491	6.8	25	3.6	456	4.8	451	4.6
United States	60	12.5	1,586	18.2	1,035	14.6	98	14.3	1 963	20.5	1,636	16.8
Malaya	41	8.6	129	1.5	69	1.0	128	18.6	2,340	24.4	2,499	25.6
Hong Kong	6	1.3	624	7.2	430	6.0	13	1.9	130	1.4	456	4.7
Japan	72	15.1	1,449	16.6	1,559	21.7	21	3.3	432	4.5	571	5.8
Other	106	22.1	2,709	31.2	2,449	34.1	228	33.0	1,851	19.3	1,809	18.5
Total	478	100.0	8,718	100.0	7,172	100.0	687	100.0	9,579	100.0	9,759	100.0

The Planning Bureau was in November 1955 in the final stages of drafting a *Five-Year Economic Development Plan* for the period 1956-1960. Following its previously-established practice, the bureau was working in close co-operation with executive ministries and departments having an interest in the various sections of the Plan. The Plan will thus represent, in essence, a co-ordination of the development and investment efforts of various government agencies in such a way as to reconcile these efforts with the total resources available for development, and with an agreed-upon set of priorities.

The Plan does not set specific targets; rather the Planning Bureau is preparing three lists of projects in order of decreasing priority within each list: special projects which are large-scale, multi-purpose projects to be undertaken by the Central Government; central projects, which are large-scale, single-purpose projects, also to be undertaken by the Central Government; and a list of other projects to be recommended to provincial governments and private enterprises. An estimate is being made by the bureau of the number of projects on each of the three lists that the country's resources and capabilities will permit completing by 1960. "Lines" will be "drawn" accordingly through the lists, which will constitute the Plan through 1960.

One of the Planning Bureau's main tasks is setting the priorities within each list. The basis for priority is the project's contribution to Indonesia's balance-of-payments position, its contribution to the country's "social welfare", and its role as a key industry. In general, projects which save foreign exchange on the import side—cement plants and efforts to grow textile fibres—are considered projects for the government to undertake, along with communications, transportation, and electric power; while projects for increasing foreign-exchange earnings by, for example, increasing the degree of fabrication of the export products before they leave the country—rubber remilling and tyre manufacture—are considered more appropriate for private investment.

The overhead capital industries include communications, transport, electric power etc. A priority project under the heading "key industry" is one whose output is a necessary raw material for some other essential domestic industry.

The *special projects*, of nation-wide importance, cut across the responsibilities of several ministries; they include five projects to which varying degrees of thought, analysis, and planning have already been given: the Asahan River Complex, the Djatiluhur Power Station-Irrigation Complex, the iron and steel integrated project, the chemical and fertilizer industry and the rayon industry.

While all of the above special projects are at come stage of active study, and some at the blueprint stage, economic justification has not been established for all of them, and even for those for which it has been established work may not be started for a number of years. The iron and steel integrated project is definitely not contemplated before the second five-year period—that is, after 1960. The rayon industry has an even lower priority. It is expected that only some units in the chemical and fertilizer industry programme will be undertaken during the coming five-year period.

A decision has been made to start work on the Djatiluhur Project in West Java, which calls for the installation of 150,000 kW of power-generating capacity and irrigation of 120,000 hectares.[1] The plan is now in the blueprint stage, the pre-project engineering analysis and the economic justification having already been completed and accepted.

A final decision has not yet been made concerning the Asahan Project for a complex of industries based on the mineral and forest resources of North Sumatra and the low-cost hydro-electric potential of the Asahan River. Drawings for two inter-connected power plants had been completed by the Billinton Company before the war, and some preliminary work had been done on access roads, foundations and the like. Under the Japanese occupation some further work of this kind was done, apparently on the basis of the same plan. Since the war the power-plant plans have been reviewed by a French team employed by the Planning Bureau, who apparently confirmed their broad outlines. A generating capacity of 800,000 kW would be possible.

Central projects are single-purpose projects of sufficient size to require government initiative in the undertaking. This list in the plan includes the completion of projects already under way, such as the cement plant at Gresik[2] and the various government projects in the textile industry.[3]

The Industries Department of the Ministry of Economic Affairs had prepared earlier at least tentative plans for 22 chemical plants (including paper and rayon fibres), the initial investment for which was estimated at Rp 657 million. Only a small portion of these projects will be considered for the period of the first Plan.

The major task in the field of transportation is inter-island and coastal shipping. The original goal of PEINI, the government-sponsored national shipping company, had been to achieve a capacity to handle 80 per cent of the shipping by 1960. However, planning and managerial inadequacies have made it unlikely that this goal will be attained before 1965. It is not known precisely what programme is scheduled for shipping in the period of the Plan.

With the exception of rolling stock needed to handle coal from South Sumatra, the production of which is to be stepped up, railway locomotives and rolling stock are considered adequate. The road beds, however, are seriously in need of attention, and there is a supply of approximately $4,000,000 worth of rails waiting to be laid.

The flying equipment of Garuda, the Indonesian national airline, is adequate, but much work remains to be done on landing fields. It is probable, moreover, that the frequency of flights is not so great as the equipment would permit, at a time when the airlines are over-booked. There will be improvement and expansion of the tele-communications system, which will require some foreign-exchange expenditures.

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1. In this connection it may be noted that the Ministry of Agriculture in late 1954 proposed a Rp 2,400 million five-year plan to increase the irrigated area by 870,000 hectares (including 314,000 hectares of rice fields).
2. It is likely that within the first five-year period the establishment of a second cement factory will be undertaken, probably in the Medan area.
3. Indonesia is dependent on foreign sources, wholly for textile fibres and and heavily for yarn and piece-goods. An active campaign to find a fibre that can be grown successfully in Indonesia is a major part of the agricultural section of the Plan, and one of the chief objectives in the industrial sector is to develop fabrication at as early a stage as possible. At the present time Indonesias' spinning capacity is much smaller than its knitting and weaving capacity. The overall textile target is to supply 25 per cent of consumption needs.

Present activity in the mineral sector is organized by very large enterprises — government, mixed and foreign. Known petroleum resources are already abundant and the expansion of their exploitation depends upon government policy decisions rather than upon government investment decisions. An exploration programme under the direction of the National Planning Bureau is to be carried out with the assistance of foreign technicians, many of whom, it is hoped, will be available under international technical assistance schemes, especially under the Canadian contribution to the Colombo Plan. Priority goes to exploration of raw materials for cement manufacture in the Asahan area, economical copper deposits, surveys of manganese deposits in the Djogjakarta area, and continuation of the hitherto unsuccessful efforts to find coking coal in the country. In the meantime, the government mines of non-coking coal in South Sumatra would be rehabilitated with German equipment and under the direction of German technicians.

One of the "co-ordinating" decisions that the Planning Bureau must face is the choice of a fuel for the railways. At present Indonesia's domestic consumption of diesel fuel (a foreign-exchange-earner) is rising rapidly, while domestic consumption of coal (a non-foreign-exchange-earner) is lagging.

The main concern of the authors of the Plan appears to be to build up the fixed policy, the order of priority and the line of continuity which Indonesia clearly needs in the field of economic development. While new programmes have to be launched, the first need is to stabilize and regulate existing programmes. The amount of expenditure, which can be considered as more or less final, at least in its order of magnitude, is Rp 11,400 million for the five-year period. This figure has been calculated less on the basis of present and future needs than on the basis of expenditures for development previously carried out under the national budget.[1] The expenditure of the Plan should therefore be covered without insuperable difficulties even if proper aid were not forthcoming in larger amounts than in recent years and without adding to inflationary pressures. It would be relatively easy to extend the scope of the Plan, should more capital be available than expected. It should be noted, however, that part of the expenditures will require foreign-exchange disbursements, and while the exact proportion of such disbursements in the total has not been, and cannot be, calculated with any precision at this stage, it is undoubtedly relatively high. As in 1954 and 1955 imports of capital goods had to be restricted, together with other imports, in order to protect foreign-exchange resources, some difficulties may arise when such imports will have to be stepped up again to implement the Plan. The main conditions for being able to implement the Plan successfully will be, however, for the Government to carry out steadily the sound monetary, budget and trade policies which the Plan itself, realistically designed as it is, should help to promote.

1. See *supra*, table 48.

Chapter II. JAPAN

An outstanding event in Japan during the year ending September 1955 was the remarkable rise in its normal[1] exports to $1,850 million, an increase of 33 per cent over the preceding twelve months and by far a post-war record. This export boom, which appears to have been largely caused by external factors, dominated Japan's economic scene during that period. Wholesale prices, which declined during the first half of 1954, turned the corner in July and subsequently rose slightly and maintained their new level for almost a year. The index of manufacturing production, which, for the first time in the post-war period, threatened to turn downwards in the first half of 1954, began picking up again after September 1954 and sustained an upward trend for the subsequent twelve months. There seems to be little doubt that a spell of monetary deflation deliberately brought about towards the end of 1953, was cut short by an export boom which had a favourable effect on almost every line of industry, textiles and secondary metal products in particular.

The year's development gains special significance in the light of a longer-range problem which the Japanese economy faces. The problem has two facets. *In the first place*, the Japanese economy is characterized by a very high and somewhat inflexible degree of dependence on foreign supplies of staple food and industrial raw materials, and in order to purchase these the country has to sell a certain amount of exports as a matter of necessity if it is to balance its international accounts. Thus far, during the ten post-war years, Japan has not been able to balance its normal trade and has had the unfavourable gap filled each year either by US aid of one kind or another or by special procurement or offshore purchases by the US forces. In other words, the task of attaining economic viability through normal trade has been on the country's agenda for ten years and remains yet to be solved. *Secondly*, Japan has been confronted with the perennial problem of finding sufficient employement for an ever-increasing labour force, rising lately at the annual rate of some 700,000. Primary industries, such as agriculture and fisheries, already appear to be at the saturation point, while tertiary industries, such as commerce, banking, service sectors, etc., have recently been expanded at an unusually high rate and do not seem to hold much additional prospect except in proportion to a further expansion of the economy. Thus, the major burden for absorbing the increasing supply of new labour falls upon the so-called secondary industries, mainly manufacturing. Even if only one-half of the new labour force of 700,000 each year is to be absorbed in manufacturing, it means that the gainfully-employed in that sector have to increase by more than five per cent *per annum*, and such a task is a formidable one. It is a task, most people seem to agree, that can be achieved mainly through continuous expansion of the country's exports. Generally speaking, Japan's share of the world export market can increase only if its manufacturing industries maintain at least the same rate of improvement in productivity as those in other industrialized countries. In fact, the recent "productivity-conscious" attitude in Japanese business circles may be said to show that the urgency of the problem is widely recognized.

In the light of these long-range tasks which beset the country's economy, the recent trend of expanding exports raises both hopes and problems. Is Japan definitely on its way towards economic viability through expansion of exports based upon genuine improvement in productivity? Or has the recent expansion in exports been brought about largely through fortuitous causes which are not likely to be lasting? Again, whatever the causes of the rise in exports, has the manufacturing sector been able to absorb the additional labour force *pari passu* with the expansion in its production record? Or does it still face the serious dilemma of the improvement in productivity prejudicing the absorption of new labour? The survey of a year's development cannot answer all these questions. But it serves as a necessary background for gaining perspective even in the detailed assessment of month-to-month events. The appraisal of the draft Six-Year Plan (1955-60), as prepared by the Economic Advisory Council and reported to the Government on 5 December 1955 for final examination,[2] can also be made adequately only on the basis of firm recognition of the longer-range problems which confront the economy of Japan.

TRADE AND PAYMENTS

For a country like Japan, whose economy is peculiarly dependent upon foreign trade, recent developments have been, *prima facie*, quite encouraging. While the payment for imports has declined slightly, the receipts on account of exports have shown a distinctly upward trend since the middle of 1954 and current dollar income from the special procurement and allied expenditures by the US forces in Japan has declined but not as fast as once predicted (see table 57). Thus Japan's foreign-exchange holdings, which were dwindling from the high of the post-Korean-war boom, started picking up again after June 1954 and stood at the end of September 1955 at $1,249 million,[3] a net gain of 59 per cent in sixteen months. This recent improvement in trade and payments followed, with a time-lag of about half a year, the so-called policy of "deflation" which was inaugurated towards the end of 1953. However, whether the said policy was really effective in bringing about the results witnessed is a question that can be assessed only after the situation has been analysed in greater detail.

1. That is to say, *not* including special procurement by the US forces stationed in Japan.

2. The Economic Advisory Council is composed of representatives of business circles, governmental agencies and economists, and is attached to the Economic Planning Board. The reported plan was remodelled into a Five-Year Plan, to be started in 1956, with few modifications on its target figures, by the Government and approved by the Cabinet on 23 December 1955.

3. In order to obtain the figure of liquid holdings available, however, deductions have to be made from this sum on account of short-term borrowings outstanding in foreign exchange and the non-liquid assets due from Indonesia and the Republic of Korea, which together amounted to almost $500 million at the end of September 1955.

TABLE 57

JAPAN: TREND OF FOREIGN-EXCHANGE BALANCES, 1953-55

monthly average

(*million dollars*)

	RECEIPTS					PAYMENTS			Balance
	Exports	Invisibles			Total	Imports	Invisibles	Total	
		Special procurements	Others	Sub-total					
1953									
Jan-Jun	93	63	13	76	169	175	17	192	−23
Jul-Dec	100	72	13	85	185	175	19	194	− 9
1955									
Jan-Jun	118	46	15	61	179	189	20	209	−30
Jul-Dec	137	53	15	68	205	138	21	159	+46
1954									
Jan-Jun	146	42	13	55	201	151	27	178	+23
Jul-Sep	175	51	13	64	239	156	24	180	+59

Sources: Bank of Japan.

Chart 15

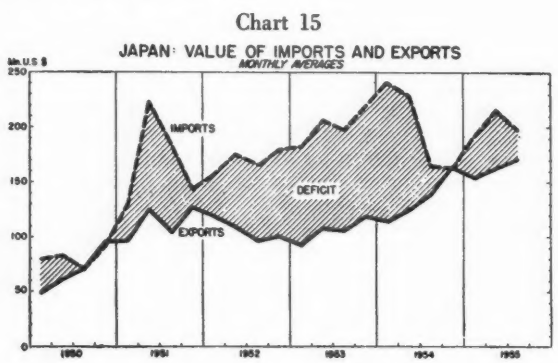
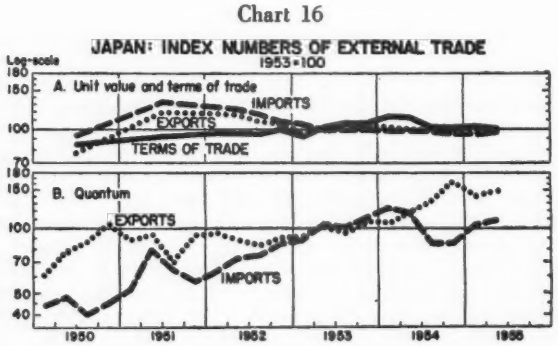


Chart 16



Imports

The relatively inflexible character of Japan's imports is well attested to by table 58 where degree of dependence on imports in 1954 is given for major items of staple food and of industrial raw materials. Japan's resources condition is such that it appears to be difficult on the one hand to match the present rate of population increase with expansion in the domestic supply of staple food and, on the other, to avoid a greater degree of dependence on raw materials from abroad as its industries expand. Imported quantities of the items enumerated in table 58 have in all cases increased in 1954 compared with the average of the four years 1950-1953, and in the first half of 1955 most of the imports of industrial raw materials (at annual rates) increased again over the previous yaer. Of these major import items, the ECAFE countries supplied 26.1 per cent of the total in 1953, 23.8 per cent in 1954 and 27.8 per cent in the first half of 1955—roughly one-fourth in recent years. On the other hand, the share of the United States singly was 25.9 per cent in 1953, 29.8 per cent in 1954 and 28.3 per cent in the first half of 1955, i.e. on average slightly above the share of all the ECAFE countries combined.

In view of the relatively high degree of import dependence for such bulky cmmodities as iron ore, coking coal, phosphate rock, salt, etc., the matter of geographical proximity for the sources of supply is quite important for a country like Japan. The part that ocean freights played in c.i.f. prices as of December 1954 is shown below for several representative commodities.

	CIF price ($) A	Freight ($) B	$\frac{B}{A}$ (%)	Source of supply
Coking coal (ton)	18.00	12.00	66.7	USA
Iron ore (ton)	14.95	8.50	56.8	Goa
Salt (ton)	9.45	7.50	88.7	Aden
Phosphate rock (ton)	21.40	12.50	58.4	USA

Source: Ministry of International Trade and Industry.

Since the importance of these commodities for the Japanese economy is far from marginal, the fact that ocean freights often account for more than half of the import price is no mean consideration and probably explains the high rate of material cost (53 to 54 per cent[1] in recent years) in manufacturing sales values in Japan. In particular, Japan's iron and steel industry faces a problem of securing cheap sources of major raw materials, i.e. iron ore and coking coal, to meet the industry's expansion as scheduled in the draft Six-Year Plan. Of the 5 million tons of iron ore imported in 1954, 29.6 per cent came from the Philippines, 22.6 per cent from Malaya, 15.2 per cent from India, and 9.9 per cent from Goa.

1. Bank of Japan, *Analysis of Financial Statements of Main Industrial Corporations in Japan, October 1954-March 1955*, p. 18.

TABLE 58

JAPAN: IMPORT OF MAJOR ITEMS OF FOOD AND RAW MATERIALS, 1950-55

(*Thousand tons, except as indicated*)

	1951-53 average	1954		1955[a]		1960[c] (plan)	Degree of dependence on imports in 1954[d] (%)
		Total	% from ECAFE countries[b]	Total	% from ECAFE countries[b]		
Wheat	1,642	2,187	0	1,943	0	2,490	60.6
Rice	882	1,432	57.9	1,333	78.4	960	13.6
Barley	706	764	0	551	0	400	38.0
Above total	(3,230)	(4,383)	(31.0)	(3,827)	(41.8)	(3,850)	
Sugar	712	1,012	54.0	1,005	45.6	1,320	95.2
Soya beans	282	508	11.3	934	27.5	800	57.4
Raw cotton	407	489	10.0	489	16.9	510	100
Raw wool	65	71	0.1	101	0	106	100
Iron ore	3,402	5,005	76.8	4,314	73.9	7,850	81.9
Coking coal	2,737	3,062	3.3	2,296	1.7	3,400	28.4
Crude oil ('000 kl)	3,623	6,848	18.4	7,844	23.3	12,900	95.2
Heavy oil ('000 kl)	1,497	2,401	5.4	3,148	12.4	780	40.2
Rubber	67	81	100.0	86	100.0	114	100
Rayon pulp	66	100	0	87	0	115	27.3
Phosphate rock	1,027	1,386	0.5	1,567	0	1,800	100
Potassium compounds	323	653	0	782	0	800	100
Salt	1,324	1,744	49.0	1,751	41.8	2,400	80.2
Grand Total (million dollars)		1,625	23.8	1,675	27.8	1,806[e]	

Sources: Ministry of Finance; the 1960 plan figures are from the Economic Planning Board.

a. Annual rate based on Jan-Jun returns.

b. "Percentages from ECAFE countries" are taken in terms of value figures.

c. The draft Six-Year Plan as prepared by the Economic Advisory Council in December 1955.

d. "Degree of dependence on imports" is the ratio between the quantity imported and the total quantity supplied (i.e. production plus import).

e. Valued at the average of prices prevailing in 1954.

And while Japan will need nearly 8 million tons of imported ores by 1960, it is feared that the major supply sources at present, Sri Medan in Malaya and Marinduque in the Philippines, are likely to become exhausted before very long. If the Japanese steel industry is not going to buy its needed iron ore from a more distant, and thus more costly, source, it has either to try to buy ores from mainland China or to help develop new ore mines in South-East Asia.

In the attempt to secure sources of supply of major raw material from areas nearer to Japan, it is understandable that certain sectors of the business community have shown interest in mainland China which appears to be able to supply immediately some of the needs, especially for coking coal, soya beans and salt. In the course of unofficial trade negotiations in Tokyo between the representatives of the People's Republic of China and a private association of Japan's trading interests, which resulted in the signing of a trade agreement on 4 May 1955, it was made clear by the Chinese representative that the People's Republic of China was ready to export to Japan, at an annual rate, one million tons of coal (about one-third of Japan's current import needs), 200,000 tons of soya beans (about one-third of import needs) and one million tons of salt (nearly one-half of import needs). Coal and soya beans, however, are classified by the Chinese under class A which they are willing to export only in return for the counterpart class A items from Japan, such as steel sheet, electric generators and ships, all of which come under the COCOM[1] bar. It is reported, however, that in September 1955 COCOM released the export of galvanized iron sheets to the extent of 15,000 tons in return for 400,000 tons of coal from mainland China; and the prospects appear to be brighter for gradual implementation of the trade agreement of 4 May 1955 as the international situation improves.

Another matter, relating to the problem of geographical distribution of Japan's imports, is the purchase of goods from the United States under the latter's agricultural surplus disposal arrangement. The programme served as an aid in 1954 when the food crop was poor and enabled the government to buy needed imports without incurring immediate dollar payments and to make use of the counterpart yen fund for various developmental purposes. The first batch of "disposal" purchase, that of $50 million worth of wheat, was carried out in March 1954 in accordance with the Mutual Security Agreement signed by the two governments in that month. The second batch of "disposal" purchase was negotiated at the time of former Premier Yoshida's visit to the United States in the autumn of 1954 and resulted in a new agreement signed belatedly on 31 May 1955; this amounted to $100 million of which 15 per cent was to be an outright grant and the remainder to be a loan to be repaid either in dollars at 3 per cent interest or in yen at 4 per cent interest. Commodities covered in the loan part were raw cotton ($35 million), wheat ($22.5 million), rice ($15 million), tobacco leaves ($5 million), and barley ($3.5 million) with estimated freight charges of $4 million, totalling $85 million. The "disposal" agreement turned out to be a topic of heated discussion in Japan, involving as it did such issues as the possibility of consequent reduction of rice imports from Thailand[2] and Burma, the dollar clause in repayment, and the

1. The Co-ordinating Committee on Export Control to Communist Areas operating in Paris.

2. As no emergency imports were made during the year 1954/55, the reduction of rice imports from Thailand during the year was not necessarily due to the inclusion of rice in the "disposal" items from the United States. As a result, however, restrictions by Thailand were tightened against Japanese goods. Japan's exports to Thailand in the first half of 1955 were only 69.6 per cent of those in the same period in the previous year, as against the general rise in Japan's exports by 24 per cent.

freedom in the use of the counterpart yen fund. Hand on the heels of the second batch came the third "disposal" agreement, initialed in Washington on 30 September 1955, entailing the purchase by Japan of US agricultural surpluses (wheat, barlay, corn and other feeds, raw cotton and tobacco leaves) to the amount of $65.8 million.

Exports

Although the marked rise in Japan's exports since the middle of 1954 is an indisputable fact, it is not easy to make a clear-cut analysis of its causes. For one thing, the value of imports of the world as a whole rose by 3.5 per cent between 1953 and 1954,[1] and Japan must have received a share of this generally-enlarged demand. However, if we analyse Japan's normal exports from the standpoint of geographical pattern (see table 59), a number of salient features can be discerned:

(1) Between 1953 and 1955, exports to the sterling area recorded the biggest rise, both relatively and absolutely. The dollar area came next, and the open-account area remained more or less stagnant.

(2) The marked rise of exports to the sterling area appears to be more in the nature of a recovery to the position attained several years ago, quite probably brought about through the easing of specific import restrictions on the part of sterling-area countries. Exports to the sterling area constituted 43 to 46 per cent of Japan's total exports in 1951-52, declined to 27 per cent in 1953 when the restrictions came into force, and recovered only to 34 per cent in the first half of 1955.

(3) Exports to the dollar area have been rising consistently since 1951, their proportion being 23 per cent in that year and 39 per cent in the first half of 1955.

(4) Clearly, a number of new export markets appear to have been developed in the course of the last two years. Between 1953 and 1955 (January-June at annual rate), the list of heavy increases in Japan's exports is topped by Yugoslavia (166 times), followed by British East Africa (15 times), Syria (7.2 times), mainland China (6.4 times), Australia (5.3 times), New Zealand (4.7 times), and Egypt (4.7 times).

The trend of export commodity-wise also reveals a pattern which is the product of both long-range and short-run changes. What is especially noteworthy is a marked rise between 1953 and 1955 (January-September, at annual rate), of metals exports by 98 per cent and of chemicals exports by 45 per cent. Export of machinery and vehicles, also, rose substantially in 1953 over previous years and has since maintained the new high level with a moderately increasing trend. These tendencies are in conformity with the government policy of diversifying Japan's exports which in the past had depended too heavily on textile products. It will be of special interest to compare the pre-war pattern with that of recent years as to the relative position of major export categories, showing at the same time the balance of raw-material imports and the exports of manufactured goods in the same category.

1. United Nations, *Monthly Bulletin of Statistics*, August 1955.

TABLE 59

JAPAN: EXPORTS BY CURRENCY AREA, 1953-55

(*million dollars*)

	1953				1954				1955[a]			
	Total	$ area	£ area	O.A. area	Total	$ area	£ area	O.A. area	Total	$ area	£ area	O.A. area
Total exports . . .	1,274.8	490.1	317.5	467.2	1,629.2	560.9	492.8	575.6	1,784.2	693.5	605.7	485.0
Food and beverages .	131.4	66.7	24.3	40.4	134.7	68.5	38.6	27.6	113.6	61.6	36.2	15.8
Textiles	460.3	121.8	163.1	175.4	657.0	200.0	268.4	188.6	642.1	234.6	287.3	120.2
Drugs and chemicals	62.3	9.9	7.4	45.0	78.9	21.3	8.9	48.7	95.7	30.5	13.8	51.4
Non-metallic mineral manufactures . .	57.7	27.4	14.7	15.6	69.2	31.5	17.5	20.2	72.1	36.0	18.9	17.2
Metals	186.6	44.9	49.9	91.8	249.8	34.8	61.2	153.8	352.8	67.4	134.4	151.0
Machinery & vehicles	188.7	108.8	31.0	48.9	202.2	71.3	47.4	83.5	215.1	97.7	51.9	65.5
Others	187.8	110.5	27.1	50.2	237.3	133.5	50.7	53.1	292.9	165.7	63.2	64.0

Note: Countries to which more than $20 million were exported from Japan in 1954 can be classified, in terms of currency areas, in respective order of importance, as follows: (1) *Dollar area:* USA, Ryuku, Mexico, Liberia, Iran, Canada; (2) *Sterling area:* Hong Kong, Pakistan, UK, Burma, India, British West Africa, Singapore, Union of South Africa, Australia; (3) *Open-account area:* Indonesia, Brazil, South Korea, China: Taiwan, Thiland, Argentina, Philippines, Netherlands.

a. Annual rate based on Jan-Jun.

TABLE 60

JAPAN: MAJOR EXPORTS AND CHIEF CUSTOMER COUNTRIES, 1953-55

Commodity	1953			1954			1955[a]		
	Total (Mn. $)	3 top customer countries	%	Total (Mn. $)	3 top customer countries	%	Total (Mn. $)	3 top customer countries	%
Cotton fabrics	179.2	Indonesia Thailand U. of S. Africa	32.5 9.3 5.4	252.3	Indonesia Thailand Pakistan	21.5 8.5 6.5	197.7	USA Indonesia Australia	9.6 9.0 8.6
Spun-rayon fabrics	29.2	Iraq U. of S. Africa Hong Kong	15.7 13.1 7.2	53.1	U. of S. Africa Iraq Belgian Africa	11.1 10.9 7.1	71.2	Iraq Nigeria Singapore	12.2 10.3 9.6
Steel ships	80.4	Liberia Panama UK	52.4 25.0 11.8	46.4	Liberia USA Indonesia	53.1 29.4 13.1	56.2	Liberia	100
Rayon fabrics	43.3	Indonesia U. of S. Africa Hong Kong	22.7 14.3 11.3	49.6	U. of S. Africa Indonesia Ceylon	14.6 9.9 8.4	49.8	Singapore Hong Kong Indonesia	18.9 8.9 6.5
Galvanized iron sheets	49.2	Philippines Thailand Singapore	17.7 16.4 11.3	52.7	Indonesia Thailand Philippines	22.9 18.3 12.5	49.5	Philippines Thailand Indonesia	15.8 11.0 10.6
Steel sheets	30.5	India W. Germany Sweden	18.0 15.5 9.7	38.5	Argentina India Brazil	52.7 25.0 6.2	40.0	Argentina India Australia	45.3 42.8 3.4
China ware	28.3	USA Burma Iran	44.8 4.3 4.0	34.8	USA Iran Indonesia	46.8 3.4 3.2	37.9	USA Iran Hong Kong	48.5 3.2 2.9
Veneers	9.5	USA UK Ryukyu	73.5 7.5 5.5	27.0	USA UK Mexico	63.6 16.4 6.3	37.3	USA UK Canada	72.9 16.2 3.9
Toys	23.5	USA Mexico Canada	60.4 7.1 7.0	32.1	USA Canada Mexico	54.6 6.3 6.0	35.7	USA Canada U. of S. Africa	61.5 6.9 3.2
Raw silk	42.8	USA France Brazil	23.2 17.5 9.0	46.9	USA France UK	58.7 12.4 6.7	35.6	USA France W. Germany	59.2 17.5 5.7
Steel bars	9.7	Philippines Thailand Ryukyu	20.9 15.0 10.9	19.5	Brazil Ryukyu USA	49.3 7.0 4.7	32.5	Australia Singapore Philippines	17.9 8.1 7.1
Ammonium sulphate	27.4	South Korea Viet-Nam, Laos and Cambodia India	65.1 23.3 4.5	26.7	China: Taiwan South Korea Mainland China	52.4 32.2 9.6	28.3	China: Taiwan South Korea Mainland China	57.2 30.9 10.0
Primary copper manufactures	3.1	Brazil Hong Kong China: Taiwan	51.7 16.9 12.7	18.4	Netherlands Brazil Burma	29.1 23.7 8.8	25.4	Netherlands Australia Poland	32.7 9.0 8.7
Woollen fabrics	6.8	Hong Kong U. of S. Africa USA	40.9 35.5 6.3	16.8	Hong Kong U. of S. Africa Iran	28.7 20.4 11.3	25.2	Hong Kong USA Iran	32.6 20.8 12.2
Cotton yarn	15.9	Burma Pakistan Indonesia	32.6 20.5 20.2	23.2	Indonesia Burma Pakistan	33.6 19.3 11.0	22.7	Indonesia Pakistan Burma	25.0 18.6 12.1
Total	578.8			758.0			745.0		

a. Annual rate based on Jan-Jun.

TABLE 61

JAPAN: COMPARISON BETWEEN THE VALUE OF RAW MATERIAL IMPORTS AND THE VALUE OF MANUFACTURED PRODUCT EXPORTS, PRE-WAR AND 1952-55

(million current dollars)

	1934-36 average	1952	1953	1954	1955[a]
Textiles					
Raw material imports	330	612	683	638	605
Exports of manufactured products, of which	483	453	460	657	691
Cotton fabrics	(153)	(180)	(179)	(252)	(209)
Spun-rayon fabrics	—	(21)	(29)	(53)	(75)
Balance	+153	−159	−223	+ 19	+ 86
Metals					
Metal ore imports	35	145	173	171	167
Exports of manufactured products	62	341[b]	187	249	370
Balance	+ 27	+196	+ 14	+ 78	+203
Machinery and vehicle exports	54	110	189	202	218
Grand total of exports	928	1,273	1,275	1,629	1,872

Source: Ministry of Finance.

a. Annual rate based on Jan-Sep.

b. An extraordinary rise was recorded on account of the temporary gap between world supply and demand.

On the one hand, table 61 shows a long-range shift in the composition of principal exports of Japan, from the pre-war years when textiles occupied 52 per cent of the total value of exports, metals 7 per cent and machinery and vehicles 6 per cent, to 1955 when the proportion of textile exports declined to 37 per cent while that of metals rose to 20 per cent and of machinery and vehicles to 11 per cent. While before the war exports of cotton fabrics were about two and half times those of metals, they constitute now only a little over one-half; and within textile exports, while cotton fabrics remain supreme today, spun-rayon fabrics have taken the pre-war place of silk. At the same time, the table also indicates that in the balance account of raw-material imports and exports of manufactures in the same category the position with regard to textiles, having though unquestionably improved in the last year or two, has fared worse in comparison with the pre-war period, while the similar position with regard to metals has shown a definite sign of improvement in the post-war years.

Almost all 30 individual commodity items of exports, each exceeding $10 million at annual rate in 1955, have risen above the level of 1953. But the following items (table 62) in particular have shown a consistent rise during the past two years at a rate higher than the general rate of expansion in exports.

TABLE 62

JAPAN: INCREASES IN SELECTED EXPORTS, 1954-55

Item	Index of value of exports (1953=100)		Absolute increase between 1953 and 1955 (million dollars)	Areas or countries exports to which showed a specially-marked rise
	1954	1955[a]		
Primary copper manufactures	587	819	22.3	General rise; in particular to Netherlands, Australia, Brazil and India
Veneers	270	393	27.8	USA and sterling area
Woollen fabrics	247	371	18.4	South-East Asia and Africa
Steel bars	214	335	22.8	Sterling area and South-East Asia
Spun-rayon fabrics	182	244	42.0	Under-developed countries and sterling area
Lumber	161	193	10.9	Western Europe and sterling area
Woollen yarn	341	188	6.8	Under-developed countries and USA
Sewing machines (head)	140	172	8.1	Under-developed countries, Canada and USA
Silk fabrics	157	157	5.0	Australia and USA
Toys	137	152	12.2	General rise; in particular to USA
(Above total)			176.3	
Total exports	128	140	511.1	

Source: Ministry of Finance.

a. Annual rate based on Jan-Jun returns.

The pattern presented here is varied enough; and it can only be surmised that causes of expansion have been manifold. One factor, however, requires special mention, the price factor. It may be asked whether the expansion in the volume of exports to specific countries was assisted by the lowering of the unit price of Japanese products, which might have raised their power to compete with the products of other countries. Of the ten commodities listed above, a significant fall in unit price took place during the past two years in the case of spun-rayon fabrics (22 per cent), primary copper manufactures (15 per cent) and steel bars (13 per cent). Lumber, woollen fabrics and silk fabrics rose in price, and other items remained more or less constant in price. The fall in unit price as such does not necessarily account for the fact that specific Japanese exports gained in competitive power. But in the case of 19 mm steel bars, for example, the f.o.b. export price fell in Japan from $107 per ton in June 1953 to $95-102 in June 1955 while the similar price in the United States rose from $99 to $104.7 during the same period.[1] As for spun-rayon fabrics, Japan has for some time enjoyed competitive advantage against the United States and the United Kingdom, and has further improved its position in the last few years. Thus there seems to be little doubt that in the case of several important commodities the price factor did play a significant role in boosting the volume of exports from Japan. But this is not the case for many other commodities.

The problem of the competitive position of Japan's exports as a whole is of particular significance from a longer-range point of view inasmuch as the comparative-cost situation must affect the present, as well as the future, structure of Japanese exports. Since Japan is not necessarily superior, except in a very limited number of cases, to other advanced industrial countries in the sphere of technology, its competitive advantage in manufacturing must rest in the final analysis largely upon the relatively low cost of unit labour power. Thus, to the extent that a Japanese export industry depends on the foreign supply of raw materials, it is likely to be unfavourably placed with regard to export. In other words, it may be said in general that the net foreign-exchange earning ratio (that is, apart from differences among various industries in capital cost, the difference between the f.o.b. export price and the value of import contents in unit product divided by the f.o.b. export price) is likely to be correlated positively with Japan's competitive advantage in export markets. The comparative table on international prices of export commodities which the Bank of Japan publishes each month makes it possible to rank Japan's export goods roughly in the order of their competitive price advantage. On the basis of this information as of June 1955, Japan's major export commodities may be classified into three categories in the order of their competitive price advantage, on the world market with net foreign-exchange ratios given, as in the table on the right-hand column. The list is in rough conformity with the general principle referred to above, with the significant exception of cotton fabrics, which depend entirely upon foreign supplies for raw material and yet retain definite competitive advantage. Textile industries as a whole appear to have developed in Japan significant technical and organizational advantages which sufficiently compensate for a heavy degree of dependence on imported raw materials. Thus, an industry like spun-rayon fabrics, which can make use of such advantages without having to buy raw material from abroad, seems to enjoy a sizable price advantage in world competitive markets. If the above grouping is likely to be enduring, it is hard to escape the conclusion that the structure of Japanese exports will continue to be over-weighted by light-industry products, although possible savings in raw materials cost for Japan's iron and steel industry through access to nearer sources of supply may improve the competitive position of products of heavy industries in general.

Japan's major export commodity listed in order of their price advantage on the world market	Net foreign-exchange earning ratio in 1954 (%)[a]
I. Those for which Japan's prices are lower than world prices	
Cotton fabrics	49.0
Spun-rayon fabrics	96.3
Rayon fabrics	93.7
Raw silk	100.0
Camera	99.1
Frozen tuna fish	97.7
China ware	96.4
Tea	100.0
II. Those for which Japan's prices are about the same as world prices	
Ammonium sulphate	100.0
Cement	99.9
Sewing machines	95.0
Steel ships	90.9
III. Those for which Japan's prices are higher than world prices	
Steel bars	77.0
Galvanized iron sheets	86.8
Steam locomotives	88.1
Railway coaches	80.4

a. Net foreign-exchange earning ratios have been calculated by the Economic Planning Board.

Although Japan's exports have shown a marked rise in the latest period, imports (c.i.f. prices) are still sizably above exports (f.o.b. prices) so far as they are recorded in customs reports. For the period January-September 1955, imports amounted, at annual rate, to $2,414 million and exceeded exports by $595 million. This gap was almost entirely filled by a special type of exports, namely the so-called special procurements which cover both the procurement purchases of goods and services by the United States forces stationed in Japan and the sales of yen against dollars for expenditures by United States official personnel in Japan, and which amounted to $537 million, at annual rate, during the first nine months of 1955. This extraordinary dollar income has maintained itself remarkably well through 1955; but it is difficult to believe that it will continue at the present rate very much longer. Japan will sooner or later face the problem of

1. *Source:* Bank of Japan.

filling the unfavourable gap in its normal trade. And in view of the somewhat inflexible character of its import needs, the scaling down of which would require major investment expenditures for resources development and/or reorganization, a further expansion of exports seems to be called for.

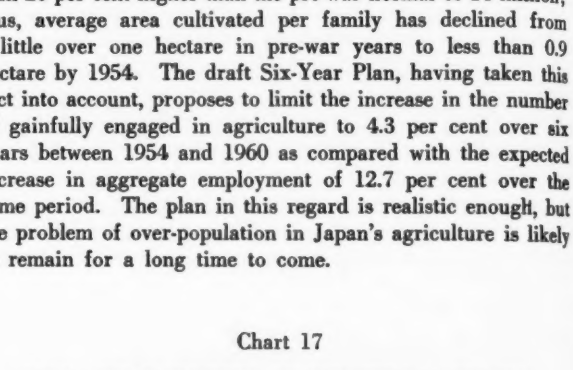
PRODUCTION AND EMPLOYMENT

Agricultural production

In agricultural production, favourable weather conditions were largely responsible for the record over-all crop of foodgrains in 1955. Wheat, barley and naked barley together amounted to 3.9 million tons, which was slightly (5.7 per cent) below the record figure of the previous year. Then came the unprecedented crop of rice, which amounted to 14.8 million tons, 3.5 million tons higher than the 1954 crop and 4.5 million tons higher than the 1953 crop. Earlier in the year the government had announced a new system of delivery for rice, according to which rice producers could make advance commitment on sale to official channels and receive in return advance payment amounting to approximately one-fifth of the expected official price. It had been expected that 4.5 million tons of paddy would be committed in this way; but actually, by the end of August 1955, the target figure had been exceeded by 18 per cent. The raising of production as such, however, is only a part of the problem Japan's agriculture faces. Productivity in agriculture in 1954, as measured by quantity produced per man engaged, had not yet recovered the pre-war level; and since manufacturing industries meanwhile improved their productivity, the relative position of the agricultural productivity index as compared with the manufacturing productivity index deteriorated by 1953 to 66 per cent of what it had been in pre-war years (average of 1934-36).[1] Such a trend is further corroborated by input studies in agriculture, showing that between 1937 and 1954, while the index of material and equipment input per unit area rose by 45.8 per cent, the index of labour input per unit area remained practically unchanged for major crops such as rice, wheat and barley.[2] The marked rise in the index of material and equipment input reflects the greater use of mechanical equipment in agriculture, such as power ploughs and power threshers;[3] and it appears that the technological condition exists for improving productivity in foodgrain production but is being prevented from fulfilling its potentialities by a saturated condition of labour supply. Even with a slight decline in cultivated areas, the labour force engaged in agriculture in recent years has been more than 20 per cent higher than the pre-war normal of 14 million; thus, average area cultivated per family has declined from a little over one hectare in pre-war years to less than 0.9 hectare by 1954. The draft Six-Year Plan, having taken this fact into account, proposes to limit the increase in the number of gainfully engaged in agriculture to 4.3 per cent over six years between 1954 and 1960 as compared with the expected increase in aggregate employment of 12.7 per cent over the same period. The plan in this regard is realistic enough, but the problem of over-population in Japan's agriculture is likely to remain for a long time to come.

Chart 17

JAPAN: INDEX NUMBERS OF INDUSTRIAL ACTIVITY AND PRODUCERS' INVENTORY



Industrial activities

In the sphere of industrial activities (mining, manufacturing and public utilities), a slight recession witnessed in the middle of 1954 was short-lived and the index again turned upward after September 1954 and has since continued to rise slowly to reach the level of 203.7 (1950=100)[4] in September 1955, i.e., 14.4 per cent above that of the same month in 1954. The trend of course varies for component industries. Compared to the average of the first half of 1954, iron and steel, textiles, paper and pulp, oil refining and chemicals expanded their production in the first half of 1955 by about 10 per cent, while machinery and vehicles, ceramic products, food processing and leather manufactures experienced a decline. How far the rise in exports was responsible for the over-all expansion in manufacturing production is not easy to ascertain precisely. But an attempt might be made to find possible correlation with regard to those commodities which ranked high in the list of Japan's exports in the last year or two. In the following table, commodities are listed roughly in the order of high rate of increase in export in the recent period, and all the figures are expressed as percentages of the quantity of each commodity produced in 1952.

1. Economic Planning Board, *Annual Economic Report, 1955* (in Japanese), p. 248. This deterioration may be attributed primarily to the increase in disguised unemployment arising from the increase of population.

2. *Ibid.*, pp. 241-2. Labour input per tan (1 tan = 9.917 ares) in 1954 was 20.6 man-days for rice, or exactly the same as in 1935; that for wheat in 1954 was 14.6 man-days, or 4 per cent less than the figure for 1939.

3. According to *Data Relating to Mechanization in Agriculture* (Ministry of Agriculture and Forestry, March 1953), the number of power ploughs in use in 1951 was 34 times that in 1937 and the similar multiple for power threshers was 8 times.

4. The index is compiled by the Ministry of International Trade and Industry.

JAPAN'S MAJOR EXPORT COMMODITIES LISTED IN THE ORDER OF THEIR RATE OF INCREASE IN EXPORT, 1953-55

(1952 production = 100)

Commodity	1953		1954		1955[a]		Increase of 1955 over 1953	
	Production	Export	Production	Export	Production	Export	Production	Export
Spun-rayon fabrics	109	31	141	65	185	99	76	68
Sewing machine (head)	105	63	109	93	123	108	18	45
Steel bars	99	7	118	18	142	35	43	28
China ware	104	31	111	38	115	41	11	10
Silk fabrics	87	9	94	13	106	14	19	5
Cotton fabrics	125	41	142	57	135	45	10	4
Ammonium sulphate	104	27	111	25	116	25	12	−2

Source: Ministry of International Trade and Industry.

a. Annual rate based on Jan-Jun returns.

These are fairly representative major export commodities of Japan today, and it can be seen clearly here that generally the higher the rate of increase in export is, the greater also is the rate of expansion in production.

The relevant question that might be asked is whether a high rate of increase in exports of any specific commodity has been assisted by such a fall in export price as could be explained by the concomitant rise in productivity of that industry. A fall in export price as such could be the result of a deliberate commercial policy as was the case with a number of export commodities in 1954 when the compensation link system[1] was in force to permit export of goods at below-cost prices. In fact, the so-called "deflation" policy which was introduced towards the end of 1953 had as its primary objective the creation of a condition which would force Japanese industries to seek markets for their products abroad rather than at home. In this respect, the policy appears to have been a success. As was mentioned in the last *Survey*,[2] industries affected most severely by credit tightening in 1953-54 were iron and steel and textiles.[3] And it was these industries generally that have made a substantial contribution towards the expansion of exports since the latter half of 1954.

Whether or not the export-price reduction which in some cases was a factor for the increase in the volume of export was a result of an enduring improevement in productivity is a question much more difficult to answewr. The protracted credit-restriction no doubt was conducive to the adoption of various cost-reducing measures that could be introduced immediately; but the enduring improvement in productivity which would require new investments in technological and organizational innovations will take time to materialize, and even then it may or may not result in actual reduction of unit cost depending on the rate of operation of the industry concerned. Productivity studies of four representative industries —pig iron, cotton yarn, ammonium sulphate and cement— are summarized in table 63 and reveal that in all cases the crude index of man-hours per unit product has fallen markedly,[4] suggesting a reduction in the degree of labour-intensiveness in recent years. The conclusion is further corroborated by the rising trend of indexes of capacity in operation per unit labour employed. On the other hand, the increase in efficiency of capital equipment in use is indicated by a distinct lowering of the technical coefficients relating to the principal raw materials or energy used. Against these indications, rates of operation of capacities for the four industries have remained more or less constant between March 1954 and March 1955; and thus the inference seems to be justified that the rise in productivity in recent years was due more to the saving in the use of labour and the increase in unit-capital efficiency than to the fuller utilization of existing capacities.[5] If this inference is correct, the recent productivity-conscious attitude of Japanee business circles must be said to be bearing some fruit; but at the same time, it must also be conceded that such a trend has been accompanied by a greater degree of capital intensity and consequently the increase in production has not enabled manufacturing industries to absorb very much new labour force.

1. See *Economic Survey of Asia and the Far East, 1954*. p. 32.
2. *Ibid.*, p. 140.
3. The ratio of net profit to sales value of manufacturing corporations, as compiled by the Bank of Japan, shows the following trend:

	Textiles	*Iron & steel*	*Manufacturing as a whole*
Oct 1953 — Mar 1954	7.66	2.41	6.15
Apr 1954 — Sep 1954	5.46	0.76	4.90
Oct 1954 — Mar 1955	2.99	0.97	4.05

4. There was no substantial decline (in the ammonium sulphate industry there was a moderate rise) in the ratio of labour cost to net sales of manufacturing corporations, between the first half of 1953/54 and the second half of 1954/55, owing to a general rise in base wages.

TABLE 63

JAPAN: INDICATORS OF CHANGES IN PRODUCTIVITY FOR PIG-IRON, COTTON-YARN, AMMONIUM-SULPHATE AND CEMENT INDUSTRIES, 1952-54

	1952	1953	1954
Index of man-hours per unit product[a] (1952=100)			
Pig iron	100	82.0	79.6
Cotton yarn	100	82.0	66.8
Ammonium sulphate	100	90.8	79.8
Cement	100	84.1	71.4
Index of capacity in operation per unit labour employed (1950=100)[b]			
Pig iron	121.0	124.6	123.7
Cotton yarn	157.4	172.3	180.8
Ammonium sulphate	125.0	130.8	133.6
Cement	108.3	124.4	148.3
Rate of operation of capacities[c]			
Pig iron	89.1	108.6	102.3
Cotton yarn	47.0	55.0	52.8
Ammonium sulphate	78.1	81.4	86.5
Cement	79.3	94.3	89.2
Technical coefficients[d]			
Pig iron (ton of coke per ton)	0.886	0.839	0.757
Cotton yarn (lb of raw cotton per lb of 20-count yarn)	0.793	0.754	0.701
Ammonium sulphate (kWh of electric power per ton)	3,840	3,750	3,700
Cement (kg of coal per ton)	308	293	282

Sources and notes:

a. Ministry of Labour; obtained from indexes of production and of employment.
b. Mitsubishi Economic Research Institute, *Keizai Jōsei* (Economic trend), Sept. 1955, p. 28.
c. Economic Planning Board; end of the fiscal year, *i.e.* end of March of the following year.
d. Mitsubishi Economic Research Institute, *op. cit.*, p. 28.

5. Detailed inspection by industries reveals that there has been a trend in a number of industries towards a greater degree of utilization of modernized plants instead of spreading out of production over all the plants.

Employment

Since the additional labour force entering the labour market is quite large (an average of 700,000 each year, as previously noted) and the introduction of labour-saving innovations is highly desirable from the standpoint of increasing productivity, the problem of creating productive employment is of peculiar importance for Japan. Therefore, the trend in employment from 1951 to 1954, a period of fairly rapid expansion in productive activities as a whole, might be examined with a view to ascertaining changes in the composition of gainfully employed which occurred concomitantly with the rising trend in production. Table 64 summarizes relevant statistics. From this table, it can be seen that (1) between 1951 and 1954, the number of gainfully employed increased by 9.3 per cent while net national product, with wholesale prices remaining practically unchanged, rose by 41.5 per cent; (2) agriculture and forestry did not absorb very much of the new labour force (only a rise of 3.1 per cent in three years), manufacturing employment rose by 10.3 per cent, or less than the average rise of 14.3 per cent in non-agricultural employment, and the highest relative increase took place in the sphere of wholesale and retail trade and finance (22.5 per cent); (3) the rate of increase in employment appears to be roughly correlated with the rate of increase in contribution to net national product per gainfully employed person; and (4) changes in employment from July 1954 to July 1955 reveal characteristics similar to those observed for the period between 1951 and 1954, only with greater emphasis. Within manufacturing itself, the trend of employment by industries, as given by establishment censuses of 1951 (July) and 1954 (July),[1] tells a similar story. Employment in textiles, for example, rose only by one per cent during these three years, while the index of production for the industry in annual averages rose by 53 per cent. Employment in chemicals also rose by one per cent in these years, while the production index rose by 41 per cent. Employment in machinery rose by 22 per cent, while the production index rose by 41 per cent. And so on. It is of particular interest to follow the latest period in order to see if the production uptrend in manufacturing which started in September 1954 was accompanied by any increase in regular employment in manufacturing establishments. The comparison of the index of manufacturing production with that of regular employment[2] reveals that whereas the former rose steadily and had by September 1955 reached a level of 22 per cent above the bottom figure of August 1954, the employment index during the same period never turned upwards but rather declined by a little more than one per cent. At the same time, the number of fully unemployed, as reported in the monthly Labour Force Survey, continued its slow upward trend through the latest period of production rise, and reached the figure of 720,000 in July 1955, or over 10 per cent more than a year before. Other indications of unemployment, such as the number of recipients of benefits under the unemployment insurance, the number of workers displaced by liquidations, and the ratio of positions sought to positions offered, all point to the same conclusion that the employment situation deteriorated during the year ending in mid-1955.[3]

A point of special importance in connexion with the trend in employment is the tendency, that has been observed in recent years, to stagnation of regular employment in larger establishments and to relative increase of employment in smaller ones. For establishments as a whole, such a trend between 1951 and 1954 is obvious inasmuch as there was a relative shift during this period towards those sectors like

1. See *Establishment Census of 1954* (Bureau of Statistics, Office of the Prime Minister, 1955), vol. 1.

2. Compiled by the Ministry of Labour with samples taken from establishments employing 30 or more. Since the index covers only *regular* employment in relatively *larger* establishments, the trend shown by it does not necessarily coincide with those shown by the establishment censuses or by the Labour Force Survey.

3. However, the over-all employment situation showed signs of gradual improvement after July 1955.

TABLE 64

JAPAN: NUMBER OF GAINFULLY EMPLOYED AND THEIR NET CONTRIBUTION TO NATIONAL PRODUCT, 1951-55

	Number of gainfully employed							Net contribution to national product					
								1951		1954[a]		Changes from 1951 to 1954	
	1951	1953	1954	Change from 1951 to 1954	1954 July	1955 July	Change from July 1954 to July 1955	Contribution to net national product	Per gainfully-employed person	Contribution to net national product	Per gainfully-employed person	Contribution to net national product	Per gainfully-employed person
	('000)	('000)	('000)	%	('000)	('000)	%	('000 Mn. Y)	('000 Y)	('000 Mn. Y)	('000 Y)	%	%
Total	36,220	39,250	39,580	+ 9.3	41,120	42,380	+ 3.1	4,355.0	120	6,172.6	156	+41.5	+30
Agriculture and forestry	16,170	17,130	16,670	+ 3.1	18,720	18,690	— 0.2	994.7	61	1,197.1	72	+21.4	+18
Non-agricultural	20,050	22,120	22,910	+14.3	22,400	23,690	+ 5.8	3,370.3	168	4,975.5	217	+47.5	+29
Mining	510	620	590	+15.7	550	500	— 9.1	144.2	283	180.2	305	+25.0	+ 8
Manufacturing	6,300	6,740	6,950	+10.3	6,850	6,980	+ 1.9	1,142.1	181	1,428.8	206	+25.0	+14
Wholesale, retail and finance	5,150	5,770	6,310	+22.5	6,120	6,790	+10.9	891.4	173	1,322.8	210	+49.0	+21
Services	3,230	3,700	3,760	+16.4	3,530	3,930	+11.3	447.8	139	741.0	197	+65.3	+42
Others	4,860	5,290	5,300	+ 9.0	5,350	5,490	+ 2.6	744.8	153	1,302.7	246	+75.0	+61

Source: Bureau of Statistics, Office of the Prime Minister, *Labour Force Survey;* and Economic Planning Board.

a. The wholesale-price index stood at 99.7 (1952 = 100) in 1954 as compared with 98.4 in 1951.

commerce and services where the unit of operation is generally small. But even within manufacturing alone the comparison between the two establishment censuses (1951 and 1954) reveals a definite trend towards a greater concentration of employment in medium-size and smaller establishments. Whereas in 1951 the establishments with less than 100 employees per unit accounted for 60.5 per cent of the total employment and those with 100 or more for 39.5 per cent, these percentages shifted in 1954 to 61.6 and 38.4 respectively. If we take the category of those with 1,000 or more, the percentage has declined over the period from 17.2 to 15.0. It may be noted that of the six million odd workers organized in trade unions in 1954, 92.8 per cent were employed in establishments with 100 or more employed.[1] Furthermore, it is in larger establishments that rapid increase in productivity has taken place. Although more than half (61.6 per cent) of the gainfully employed in manufacturing in 1954 were in establishments with less than 100, they seem to be generally on the periphery of the modern factory system and do not enjoy either the bargaining advantage of organized unions[2] or the opportunity for productivity improvement. And yet in number they are relatively on the increase. Here lies a problem which appears to become more serious as Japanese manufacturing industries attempt to reap the fruits of labour-saving innovations.

MONETARY AND PRICE SITUATION

The general election which took place on 27 February 1955 returned the then government party with less than an absolute majority (185 out of 467), and this fact contributed towards delaying for three months the passage through Diet of the budget for the fiscal year 1955 which was to start on 1 April of the year. The total projected expenditure of the general account was again kept barely below the Yen 1,000,000 million level, but shares of component items shifted slightly in comparison with the previous fiscal year; for example, social security expenditure (which occupied 14.2 per cent of the 1955/56 total) rose by 5 per cent over 1954/55, pensions (8.5 per cent of the total) by 5.9 per cent, transfers to local government (14.3 per cent of the total) by 1.5 per cent, and educational expenditures (12.4 per cent of the total) by 3.9 per cent, while defence expenditures (13.6 per cent of the total) remained practically the same and public-works expenditures (13.7 per cent of the total) declined by 4.3 per cent. These trends are generally the same as in the previous year,[3] and are again favourable to types of expenditures which lean towards consumption. Although the budget figures for 1955/56 are as given above, a number of major items are linked to legislative or administrative commitments which are bound to inflate appropriations next year, notably defence expenditures and ex-service-men pensions. As for government new investment and loans in general and other accounts,[4] the reduction of which in 1954/55 from the peak 1953/54 level was an element in the so-called "deflationary" policy of 1954, the budget for 1955/56 provides the enlarged total of Yen319,600 million, including investment and loans for housing, of which Yen10,700 million, will be provided from the general account. Although the appropriation from the general account will be about one half of what it was in 1954/55, the total of new investment and loans from government sources in 1955/56 is more than 10 per cent larger than in 1954/55 and approaches closely the peak figure of 1953/54. On the revenue side, no major reforms were proposed, but a slight downward adjustment was made in both individual and corporate income taxes. It may be noted, in particular, that tax credit on individual dividend income was provisionally raised from 25 per cent of dividends received to 30 per cent and also that the basic exemption on individual income was raised from Yen70,000 to Yen80,000 *per annum*.

Although the budget for 1955/56 is of about the same size as that for 1954/55, the balance of central government's cash transactions vis-à-vis the private sector has shown differing trends in recent years, as indicated below.

BALANCE OF CENTRAL GOVERNMENT'S CASH TRANSACTIONS VIS-À-VIS PRIVATE SECTOR

	('000 Mn. Y)		
	1953	1954	1955
Jan-Mar	−141.0	−124.0	−126.6
Apr-Jun	+ 7.4	+ 55.9	+ 2.0
Jul-Sep	− 42.3	− 16.3	+ 7.3
Oct-Dec	+239.9	+203.5	..

Note: Plus-sign stands for net payments and minus-sign for net receipts.

Net payments in the second quarter of 1954 were excessively large owing to the delayed expenditure in that period of funds appropriated in the previous fiscal year. The trend in 1955 appears to be normal, except for the counter-seasonal net payments in the third quarter, largely explained by the new system of advance payment to rice producers. Although latest figures on local governments' cash transactions are not available, it seems safe to conclude that the government sector as originator of effective demand has not been either inflationary or deflationary. A radically different picture is presented by the position of the external sector, as is reflected in the cash-transaction figures of the Foreign Exchange Special Account summarized below:

CASH TRANSACTIONS OF FOREIGN EXCHANGE SPECIAL ACCOUNT

	('000 Mn. Y)		
	1953	1954	1955
Jan-Mar	− 1.9	−82.6	+24.1
Apr-Jun	−29.3	−29.0	+31.5
Jul-Sep	+14.2	+15.3	+51.3
Oct-Dec	−32.1	+63.9	..

Note: Plus-sign stands for net payments of yen currency, counterpart of excess of receipts over payments in external accounts, and minus-sign for net receipts.

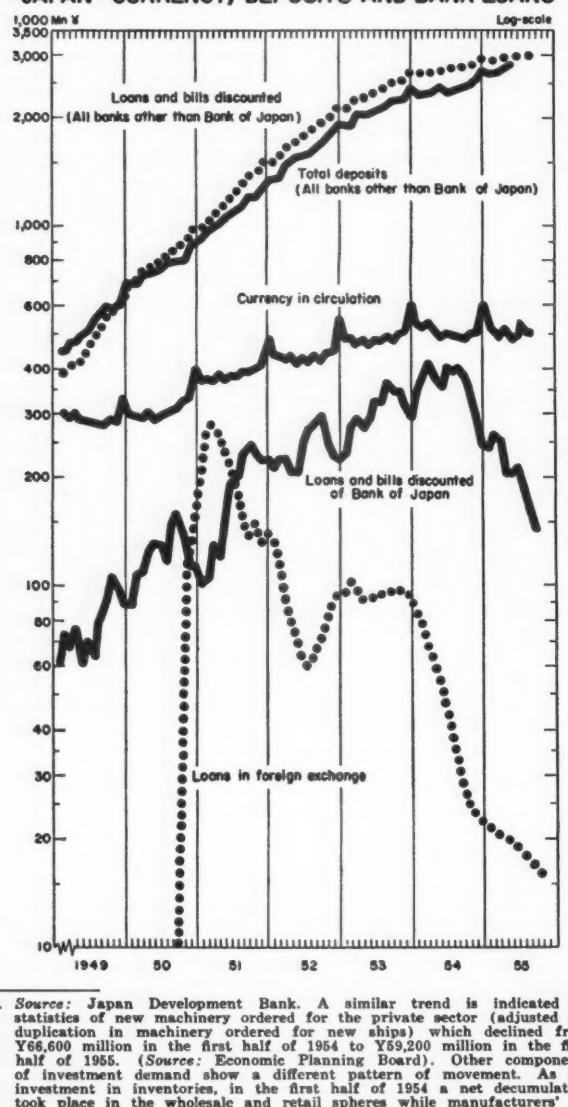
A distinct turn has been observed since about the fourth quarter of 1954, indicative of expanding exports which would be a positive factor in the creation of effective demand at home. Since a rise in exports is an exogenous factor, one might expect that it would induce a multiplier effect on

1. Ministry of Labour, *White Paper on Labour Economy* (in Japanese), 1955, p. 256.
2. Wage differentials in manufacturing between workers in establishments employing 500 or more and those in establishments with less than 100 have been as much as 35 to 50 per cent during the past several years and have not changed very much. See *ibid.*, pp. 150-1.
3. See *Economic Survey of Asia and the Far East*, 1954, p. 137.
4. Includes investment in government enterprises, funds made available to government financial institutions for lending to private enterprises and purchase of local government bond.

domestic sources of effective demand, such as induced investment and consumption expenditures. But in point of fact, indicators of investment in plant and equipment generally point downward between the first half of 1954 and that of 1955; for example, new loans for fixed capital by all banks declined from Yen218,300 million to Yen207,700 million between these two periods.[1] Consumption expenditures also, so far as can be estimated from studies of family expenditure in rural and urban areas, remained almost stagnant between the first half of 1954 and that of 1955, increasing by about 2 per cent over the period.[2] In other words, on the one hand, it can hardly be doubted that a marked rise in exports turned Japan's economy upwards from the third quarter of 1954, but, on the other, it seems that the export boom has not overflowed very much into other sectors of the economy and rather, at least till the middle of 1955, has played the role of an adjusting factor between aggregate demand and potential supply.

Chart 18

JAPAN: CURRENCY, DEPOSITS AND BANK LOANS



1. *Source:* Japan Development Bank. A similar trend is indicated by statistics of new machinery ordered for the private sector (adjusted for duplication in machinery ordered for new ships) which declined from Y66,600 million in the first half of 1954 to Y59,200 million in the first half of 1955. (*Source:* Economic Planning Board). Other components of investment demand show a different pattern of movement. As for investment in inventories, in the first half of 1954 a net decumulation took place in the wholesale and retail spheres while manufacturers' inventories rose, resulting in a net total increase of Y189,800 million; on the other hand, in the first half of 1955 the increase, totalling Y137,200 million, was distributed in both spheres. (*Source:* Ministry of Finance, *Statistical Bulletin on Corporate Business* (Hojin Kigyo Tokei Kiho) and Ministry of International Trade and Industry, *Statistical Bulletin on Commercial Trends* (Shogyo Dotai Tokei Kiho). Residential construction contracted meanwhile has decreased slightly in number from 129,004 in the first half of 1954 to 117,513 in that of 1955, so far as reported in *Statistical Bulletin on Construction Trends* (Kenchiki Dotai Tokei Geppo).

Such a combination of differing trends in main sources of effective demand is well reflected in the *monetary situation*. The extra money which flowed from the export sector, instead of stimulating new investment or additional consumption expenditure, apparently seeped into the banking system and had the effect of loosening the tight money situation which had been deliberately brought about previously. As is hsown in table 65 the first half of 1955 presents a picture which is quite different from that of earlier half-years. Increase in loans and discounts of all banks in that period was about as small as a year before, but increase in general deposits was distinctly larger; and these trends were much more pronounced in the case of "Big Eleven" banks. The elbow-room thus created was apparently utilized for reducing banks' dependence on the central bank's credit, which, after increasing steadily for several years, dramatically turned downward after the third quarter of 1954. By the middle of October 1955, outstanding loans and discounts of the Bank of Japan had gone below the level of Yen80,000 million for the first time in five years, a reduction of almost 80 per cent in twelve months. The easy money situation which gathered momentum through the calendar year 1955 was naturally reflected in the improvement of the so-called "over-loan" situation of banks. Taking the average of all banks, the ratio of loans and discounts plus lendings for settlement of import bills to own capital plus deposits and debentures minus checks and bills had stood above 100 per cent for some time; and this fact has been regarded as an unhealthy sign for ordinary banks. But since about October 1954, the ratio for all banks has gone below the critical point of 100 per cent and has continued to decline, reaching the figure of 92.5 per cent by August 1955.

2. Calculated from household expenditures as recorded in *Survey on Farm Household Economy* (Noka Keizai Chosa) and *Family Income and Expenditure Survey* (Kakei Chosa), taking into account the increase in the number of households over the period.

TABLE 65

JAPAN: CHANGES IN LOANS AND DEPOSITS, 1953-55

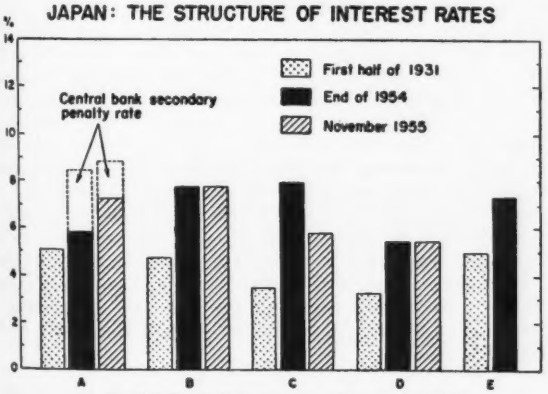
	January to June ('000 Mn. Y)		
	1953	1954	1955
Increase (or decrease) in loans and discounts			
Bank of Japan	103.0	100.8	−31.5
All banks	242.2	39.7	47.5
"Big Eleven" banks ..	126.1	16.6	3.0
Increase (or decrease) in private deposits			
All banks	34.2	30.6	138.6
"Big Eleven" banks ..	0.2	0.8	99.8
Fixed-time deposits			
All banks	119.7	109.1	142.2
"Big Eleven" banks ..	63.5	56.8	83.3
Postal savings	38.4	48.9	34.6

Source: Bank of Japan.

Easing of the monetary situation has contributed at last towards making a start in rectifying the distortion in the structure of interest rates which has prevailed in post-war years. For one thing, the general level of interest rates has been distinctly higher in post-war years than before the war (see chart 19). For manufacturing industries as a whole the burden of interest charges as a proportion of total sales value has been lately around 3 per cent; and in the case of the fabricated-metal-products industry it was as high as 6.5 per cent in the latter half of 1954, which might be compared with the proportion in that industry of wages and salaries to sales value, 8.9 per cent.[1] In fact, a paradoxical situation is reported: a firm in the fabricated-metal-products industry, confronted with possibility of introducing labour-saving innovations, would sometimes have to pay more in interest changes than the labour cost saved if it were to install the innovation by borrowing. The post-war distortion in the structure of interest rates is apparent in chart 19 where one can see that ordinary banks could make a substantial margin of profit by discounting commercial bills while borrowing from the central bank so long as they did not have to incur the so-called secondary penalty rate. The call rate also stood excessively high until quite recently, because call money was relatively scarce and banks used it to repay that part of their borrowing from the central bank which was subject to the penalty rate. The graduated-rate system of the central bank was maintained almost intact through the first half of 1955, but the easing of the monetary situation which meanwhile ensued enabled one bank after another to extricate itself from the application of the penalty rate; and the role of the graduated-rate system as an instrument of monetary control became less and less important. Observing the trend which was gathering momentum, the government took this opportunity to induce a gradual normalization of the structure of interest rates. In March 1955, the Minister of Finance exhorted bank leaders to strive for lowering of loan rates, and the cue was taken by the latter to take the step from June onwards. Thus most of the rates were revised downwards between May and August by 0.36 percentage points or more. The government's intention to restore the normal rate structure was further reflected in the raising, in August, of the central bank basic discount rate, which however has hardly changed effective rates on loans by the Bank of Japan. However, the easing trend was carried over into the autumn of 1955, various rates moved further downward and central bank loans threatened to touch rock bottom by the end of the year. The Bank of Japan finally started in October to absrob some idle funds by resorting to selling operations. However, normalization of the level and structure of interest rates is likely to be a slow process, inasmuch as the cost of bank money still stands above 7 per cent and the task of raising efficiency in banking operation is bound to take time.

Chart 19

JAPAN: THE STRUCTURE OF INTEREST RATES



A. Central Bank discount rate (Commercial bills).
B. Ordinary banks loan rate.
C. Call rate.
D. Treasury bills yield rate.
E. Average cost of bank money.

The movement of *prices* in 1954 and 1955 also appears to have been influenced somewhat by the export boom. The weekly index of wholesale prices,[2] which moved downwards in the first half of 1954, most probably as a result of the policy of credit restriction, hit the bottom (147.1 with 24 June 1950=100) in the middle of August and subsequently rose gradually until the end of February 1955 (154.0) whence it turned again downwards to a new low of 146.3 in the last week of June. The index in the latter half of 1955 moved generally upward, and stood at 155.0 in the middle of October. The rising trend in the latter half of 1954 is accounted for mainly by the 20 per cent rise in the component of iron and steel products which benefited most from the export boom of the period. The weakening in prices of the next phase (from end of February 1955 to end of June) appears to have been largely caused by a general fall in food items, assisted by some reaction in the component of iron and steel products. The latest upward phase (from July 1955 onwards) reflects again the movement of food and metals components in directions contrary to those in the previous phase. Otherwise most prices have remained remarkably steady in the course of the past year or two, in fact, ever since the rising trend during the Korean-war boom was terminated in the spring of 1951. However, if components are regrouped into industrial raw materials and finished goods, naturally the former are shown to have fluctuated more widely than the latter while maintaining a margin of 25 to 35 percentage points (i.e., 171 to 180 against 143 to 146 with the 24 June 1950 level as 100). If anything, the margin has slightly narrowed in recent months; and unless raw material costs come down in the near future, prices of finished products threaten to continue creeping up slowly.

While prices have remained more or less stable since 1951, the ratio of net profit to net sales value in manufacturing corporations has been falling steadily, from 11.63 per cent in the first half of 1951 to 4.53 per cent in the period October 1954—March 1955, while the ratio of labour cost to net sales, though rising slightly meanwhile, has maintained a more or less constant level of 11 to 12 per cent.[3] A longer-range analysis of relations among prices, wages and productivity can be made for several manufacturing branches, comparing the 1954 level witih the 1934-36 average (see chart 21). It is quite instructive to note that whereas heavy industries, such as metals, chemicals and machinery, have succeeded in raising productivity generally more than light industries, their level of wages has not moved *pari passu* as in the light industries. The contrasting pictures presented by the two types of industry appear to be explained partly by the relatively more unfavourable position as regards raw materials for heavy industries in the post-war period and partly by the greater degree of squeeze from price competition there than in light industries.

1. Bank of Japan, *Analysis of Financial Statements of Main Industrial Corporations in Japan, October 1954—March 1955.*

2. Compiled by the Economic Planning Board.

3. Bank of Japan, *Analysis of Financial Statements of Main Industrial Corporations in Japan.*

Chart 20

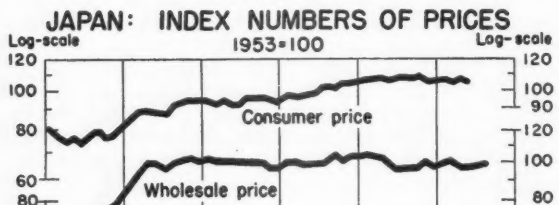
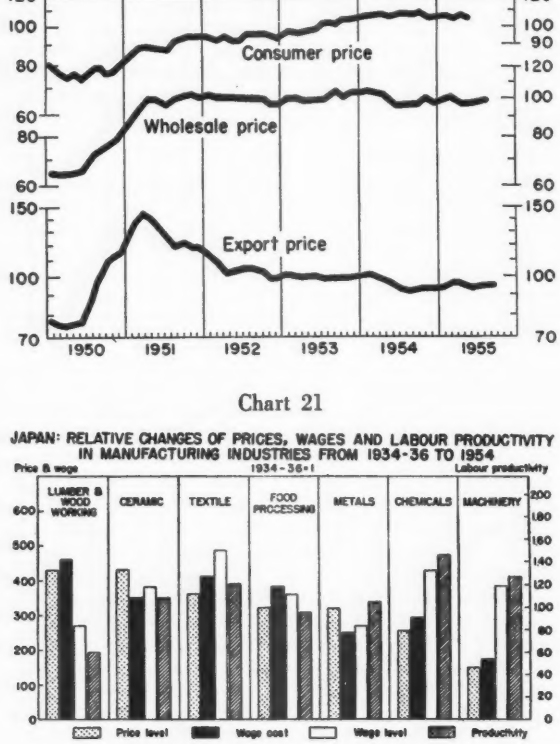


Chart 21



Note: Wage cost = (Wage index × Employment index) ÷ Production index.

Meanwhile, consumers' prices have moved little, if at all, since the beginning of 1954; and the level of wages, as reflected in the monthly wage survey of workers regularly employed in manufacturing establishments employing 30 or more, became almost stationary in 1955 in comparison with a rise of 6.4 per cent in 1954 over 1953 and a rise of 13.4 per cent in 1953 over 1952. More detailed analysis, however, reveals that wage differentials between the larger and the smaller establishments have distinctly widened,[1] that differentials between regularly and temporarily employed workers have also widened,[2] and that within the category of regularly emplpoyed workers the differentials between those holding higher and lower positions appear also to have a tendency to widen.[3] The equalizing trend which was observed in the immediate post-war years seems now to be reversed; and in times of such structural change a single index of wage level does not adequately reflect the trend of wage payments. As was observed in connexion with the employment trend, the position of regularly employed workers in larger establishments is getting better and more secure and the burden of adjustment is increasingly borne by those who work in the medium-or small-size firms or those who do not hold stable positions.

CONCLUSION

Balancing normal trade with reasonably full employment at home is the broad theme around which the various economic policies of Japan have been focused in recent years and are likely to remain focused for a number of years to come. The trend of increase in exports, which has continued more or less uninterrupted for a year and half since the middle of 1954, has raised hopes that the task of balancing trade might not be too difficult of early achievement. However, there seems to be little doubt that the latest export boom of Japan was to a large extent due to outside factors such as the relinquishment of import restrictions by sterling-area countries and the general rise in world effective demand for manufactured goods. Inasmuch as a greater part of Japan's exports consists of manufactured goods which must constantly meet the competition of those of other industrialized nations, the reduction of cost through improvement in productivity is an essential condition for the enlargement of Japan's relative share in the volume of exports of such goods. True, there has been some reduction in prices of a number of Japan's export goods in the course of the last year or two, and there are also clear indications that productivity has been on the rise for major lines of manufacturing industry. But it is far from certain that these matters have been the sole causal factor in the export boom of 1954-55. The tight money policy of 1953-55 played a part here, by creating a condition which eliminated the excessive domestic demand and forced Japanese business circles to search energetically for new markets abroad.

Whatever the cause, the export boom has been the dominant feature of Japan's economy since the middle of 1954. The trend towards weakening of prices, lower rates of profit and stagnant production was first arrested, by July-August 1954, in those sectors which benefited most from the increased export demand, and the turn of events gradually extended over the whole economy. The process, however, was rather slow. The net increase in effective demand arising from the export sector apparently played the role of filling a gap which had existed between aggregate demand and potential supply and thus had the consequence of gradually easing the monetary situation all round. This trend was especially noticeable in the first half of 1955 and actually gathered momentum in the second half. Deposits with banks increased relatively more than loans, borrowing from the central bank declined rapidly, and interest rates began a slow downward movement. As exports kept on rising in the third quarter of 1955, and at the same time a record crop of rice was assured in the agricultural sector, the economy appears to have found itself on surer ground for further expansion, and most indicators, including consumption expenditures and new investment on plant and equipment, joined in the upward movement in the latter half of 1955.

What remains to be seen is the effect of the recent events on employment—a crucial point in relation to the long-range task with which the Japanese economy is confronted. After a year's maintenance of a high export level, the figure of fully unemployed stood even higher than at the time of depressed condition a year before, bespeaking the difficulty of

1. According to *Monthly Labour Survey* of the Ministry of Labour, the wage differential between workers in establishments employing 500 or more and those in establishments employing 30 to 99 has widened from 32.7 per cent (or the ratio of 100 to 67.3) in 1950 to 39.9 (or the ratio of 100 to 60.1) in 1954.

2. According to the *Monthly Labour Survey* of the Ministry of Labour, the radio of average wage of temporary workers and day labourers to that of regularly employed ones worsened from 61.7 per cent in 1952 to 56.5 in 1954.

3. According to the Survey on Wages and Salaries in Private Establishments, conducted by the Civil Service Board, the pay scale in March 1954 in private establishments rose over March 1953 by 3 per cent for lower-class employees, 6 per cent for middle-class employees and 10 per cent or more for employees holding responsible positions.

quick absorption of the new labour force. After July 1955, however, there were signs that the over-all employment condition had also improved slightly. But it is quite important to note that the sizable improvement in produuctivity witnessed in Japanese manufacturing in the last several years has been greatly assisted by labour-saving innovations and that consequently the trend of regular employment in larger establishments has been remarkably stable over almost eight years between 1947 and 1955—even declined, if anything, in the last few years. Thus there has ensued a greater degree of concentration of labour power in smaller firms which, by and large, lag behind the general progress in productivity of manufacturing industries.

Whether it will be the free play of private economic motive forces that will bring about the necessary adjustment in the structure and functioning of the Japanese economy in such a way that its task for viability can be achieved is rather problematical. It is probably with this consideration in view that the Japanese Government has been working on the draft Six-Year Plan (1955-1960). The plan does not propose to change the basic pattern of Japan's free enterprise system. But it marshalls forth all the data and information available to estimate the probable course of development of various sectors of the economy, sets them against the broad objectives of viability, thus showing up the nature and magnitude of the problems which have to be solved if the country is to balance its normal trade with a reasonable degree of full employment by 1960, and finally suggests the possible avenues of solution involving a minimum degree of controls, consistent with the basic tenet of the free enterprise system. Naturally, fiscal and monetary measures are the main instruments for implementing the plan. But it is also recognized that these may not be sufficient for the purpose, and the public is energetically exhorted to co-operate voluntarily towards attaining the aims of the plan. Basically, the instruments envisaged are not much different from what the government has had at its disposal during the past few years. Therefore, the experience of 1954/55—during which time various conditions were favourable for Japan to take the opportunity of bringing the economy nearer the objective of viability—could be regarded, in a sense, a pilot test for the coming period of implementation of the plan itself. Viewed in this light, the year under review has shown some good promises, since in a number of directions, such as the gradual normalization of the structure of interest rates and the expansion of trade with new areas, substantial improvement of a long-range character has been achieved.

Chapter 12. KOREA[1]

Events thus far in 1955 arouse mixed reactions as to the extent of economic recovery in the Republic of Korea. During the fiscal year ending 30 June 1955 the gap was largely closed between the gross national product of 1954/55 ($1,752 million) and the figure for 1949/50 before the Korean war ($1,771 million), both in terms of the 1952/53 dollar. Population, estimated to have increased by over 9 per cent from 20.3 million to 22.3 million during 1950-55, however, makes the picture less favourable when translated to a per capita basis,[2] which was $92.4 in 1949/50 but $88.1 in 1954/55.

A number of short-term recovery and reconstruction projects have been completed, or are approaching completion, in irrigation, fisheries, transport, mining, manufacturing, housing,—indeed, throughout the battered Korean economy. Progress is also reported on a smaller number of larger-scale and longer-term development projects relating particularly to fertilizer production, industrial facilities, and electric power, although actual operation will not take place until 1956 or later. An encouraging factor has been the succession of three bumper rice crops from 1953 to 1955. An important setback is in the field of foreign trade where the completion of the ROK-US tungsten export programme in March 1954 resulted in much lower visible exports[3] thereafter. Production was hampered by shortages of credit, electric power and raw materials.

Meanwhile, the Republic of Korea remains dependent on outside aid to balance both its domestic and international accounts in the face of huge budgetary deficits, persistent passive balance of trade and difficulties in the development of exports. The pace of domestic price inflation quickened during the first even months of 1955 but has since reversed itself.

Given the limited resources of divided Korea, the increasingly dense population of the Republic of Korea, the available foreign economic aid with certain probable inefficiencies in its use, and the fact that one-tenth of the labour force, concentrated in the most productive age and skill groups, is retained in the military services, the target date for economic viability at pre-Korean-war standards must probably be set back. The plans drawn up thus far have for the most part anticipated recovery to that point in from three to five years. In view of the persistent trade deficit and inflation, however, a substantially longer period may be a more realistic estimate.

1. The present chapter covers economic development in the Republic of Korea.

2. National income and product figures for under-developed countries are notoriously unreliable, especially because of difficulties in measuring the value of products consumed in producers' households. South Korea is no exception. The per capita figures are particularly unreliable in that no satisfactory population census has been taken in Korea (south) since 1949, and many of the records of that census were lost or destroyed during the Korean war. A post-war census was taken in September 1955, but its results were not available at the time the present chapter was written.

3. While trade data are complied by the customs in terms of hwan, foreign exchange data, classified into categories of visible trade and invisible trade, are given in terms of dollars.

BACKGROUND

Certain salient features of Korea's recent economic history distinguish the country from most others in the ECAFE region. A few of these will be reviewed briefly.

Korea is one of the relatively more highly developed areas of the Asian mainland, most of its development dating from the Japanese colonial rule (1910-1945). Japanese occupation left Korea with a good railway network, some of the best power, fertilizer, and irrigation projects in Asia, developed coal and other mines, and a number of up-to-date factories, all of which escaped damage in the second world war except for inadequate attention to repairs and replacements. These undertakings, however, were not always adapted to the needs of a peaceful and independent Korea. Furthermore, Koreans were not trained in sufficient numbers to staff these projects. In 1944, Japanese nationals occupied some 90 per cent of all managerial and technical positions in Korea; for industry alone, of the 9,852 engineers and technicians employed, 7,993 were Japanese.[4] The repatriation of the Japanese technicians upon Korean liberation in 1945, a necessary step from the Korean point of view set back Korean economic development from the short-period standpoint.

The division of Korea along the 38th parallel in 1945, with the subsequent cutting off of economic intercourse between the two sections, was a serious blow to each of the two truncated economies. It was perhaps most serious to the Republic of Korea in the south, a predominantly agricultural area with the bulk of the population but the smaller, though less mountainous, portion of the land area, for this region had been dependent on the north for a number of essentials like fertilizer and electric power. In the course of separate development of North and South Korea, there is some danger of duplication of facilities in the two halves and hence of excess capacity when Korea is re-unified. There is also danger of improper location of some facilities from the point of view of a unified Korea.[5]

The damage Korea had escaped during the second world war came instead in 1950-51, in the course of the Korean war. For the Republic of Korea alone, an official estimate puts the total property losses during the latter conflict at some $1,800 million. The damage was concentrated in industry. The western coast was badly damaged, including the industrial centre around the capital of Seoul and its port of Inchon, which changed hands four times in a year. Industrial facilities alone are estimated to have been damaged to the extent of $354 million. This includes substantial damage to 43 per cent of all industrial installations, 41 per cent of all power-generating installations, and 50 per cent of all coal-

4. United Nations Korean Reconstruction Agency (UNKRA), *An Economic Programme for Korean Reconstruction* (March 1954; the so-called "Nathan Report"), p. 202.

5. However, the Nathan Report (*ibid.*, p. 73 ff.) sees "little practical danger of building unsuitable capacity." This view may well be correct, in view of the widespread war damage discussed immediately below.

mining installations.[1] (The $1,800 million total includes also an estimate of damage to civilian housing, public buildings, vessels, vehicles, etc.). Recontruction and rehabilitation, along with further development, remain the hub of the Korean economic problem.

The difficulty of reconstruction is increased by an abnormal rise in the population of South Korea since the end of the second world war. Over and above the natural increase, approximately four million repatriates and dislocated persons and refugees (the latter mainly from North Korea) must be provided for. Offsetting factors are the repatriated Japanese (about 700,000) and the war dead (estimated at nearly a million). Between 1945 and 1950, the population jumped by 25 per cent to over 20 million, including perhaps 2.5 million North Korean refugees and repatriates from Japan. Another million and a half may have come from North Korea after 1950. A crude estimate put the population of the Republic of Korea in September 1955 at about 22 million.

These figures imply a population density of about 1,130 per square kilometre of arable land, next to Japan's among ECAFE countries. The country is only 25 per cent arable, owing to its highly mountainous character. "Taking into account the degree of industrialization and the proportion of arable land, the Republic of Korea probably has a more difficult basic population problem than any other country."[2]

1. Zanzi, A.W.: *Economic Reconstruction Problems in South Korea* (New York, Institute of Pacific Relations, 1954), p. 9. Similar figures for North Korea are not publicly available.
2. UNKRA, *op. cit.*, p. 23.

PLANS AND PROGRAMMES

Three plans for Korean reconstruction have been drawn up. A fourth, now under preparation in the Ministry of Reconstruction of the Republic of Korea, should be available early in 1956. All plans aim at securing and maintaining per capita living standards at least equal, despite further anticipated increases in population, to those of 1949-50. They also aim at a Korea which is "viable"—*i.e.*, which exports a volume of goods and services sufficient to pay for necessary imports. They differ in their estimates of the length of time required for these goals to be attained. They differ also in relative stress as between consumption and investment, with the Koreans desiring a greater concentration on long-term investment projects from the start, and the aid agencies placing more emphasis on maintaining consumption standards during the early phases of reconstruction. These three plans are compared in summary form in table 66, which also shows actual and projected aid programmes for the three fiscal years ending 30 June 1954, 1955 and 1956. The latter figures relate to programmes (*i.e.* commitments), and not to the actual arrivals of aid goods, which necessarily lag, sometimes by over a year.

A word about the three plans may be in order. The Korean aid request of 1951 was a five-year recovery plan. The "Tasca Report" was prepared by a group of Far Eastern affairs specialist for the United States Government. The "Nathan Report" was prepared by a private firm of economic consultants for the United Nations Korean Reconstruction

TABLE 66

REPUBLIC OF KOREA: COMPARISON OF ECONOMIC INVESTMENT AND OTHER REQUIREMENTS OF ECONOMIC PLANS AND AID PROGRAMMES

(million US$)

	Economic plans			Aid programmes		
	Korean 5-yr. plan 1951	Tasca 3-yr. plan 1953	Nathan 5-yr. plan 1954	FY 1954[a]	FY 1955[b]	FY 1956[b]
Long-term economic investments						
Transportation	54.2	75.0	94.1	32.6	53.1	43.2
Electric power	44.1	36.1	109.9	37.2	7.0	7.5
Communications	49.8	13.7	6.0	5.8	6.0	3.0
Agriculture and forestry	154.4	81.8	48.7	7.8	8.1	8.4
Mining	9.2	34.9	23.3	4.6	10.4	1.0
Fisheries	20.5	19.6	38.2	3.6	0.5	2.0
Manufacturing	50.9	56.8	141.7	43.8	17.4	25.5
Total	383.1	317.9	461.9	135.4	102.5	90.6
Consumption and social investment						
Housing	..	..	120.0	6.8	1.8	—
Education	..	..	106.9	11.0	3.8	2.6
Health and sanitation	..	..	19.4	8.6	5.9	3.6
Raw materials, consumption goods, public works, etc.	..	..	236.0	233.8	174.3	183.2
Total	3,477.0	1,293.4	482.3	260.2	185.8	189.4
Grand total	3,860.1	1,611.3	944.2	395.6	288.3	280.0

Source: Office of the Economic Co-ordinator.
Note: Fiscal years run from 1 July of the preceding calendar year to 30 June of the given calendar year

a. Includes UNKRA FY 1953 programme.
b. Preliminary.

Agency (UNKRA). As for the annual aid programmes, these are worked out on a year-by-year and project-by-project basis.

The new five-year plan of the Republic of Korea is available only in preliminary form. As it stands, its aim is economic viability in 1960 at a per capita national income of approximately $100. It hopes for total application of $2,300 million to the civilian economy over the five-year period, including $500 million from the Republic's own reserves. Other sources include: United States Government agencies, $1,500 million, the International Bank for Reconstruction and Development, $130 million, and private foreign investment, $30 million.[1] On the use side, $1,000 million is programmed for real capital investment, $1,150 million for raw materials and consumption goods, $23 million for technical assistance, and $10 million for relief.[2]

PRODUCTION

Agriculture, forestry and fisheries

Over-all production of the principal *cereals* fell off slightly during the 1954/55 crop year, but remained some 400,000 tons above the 1949-1954 average. The 1954 rice crop, fortunately, was a record one, amounting to 2,160,000 tons, a further increase of 6 per cent over the bumper crop of the previous year. The summer cereals (barley, naked barley, wheat, rye), however, totalled only 635,000 tons, a drop of over 17 per cent from 1953/54. This decline was due to unfavourable weather during the growing season, since plantings were up and the fertilizer supply was approximately equal.

While inadequate rainfall in May and June delayed rice transplanting in most areas, subsequent ideal weather resulted in a record rice crop, officially estimated at 2,244,000 tons, or 4 per cent above the 1954 bumper crop. At present only 60 per cent of the average crop is grown on irrigated land unaffected by short-term droughts; the Korean Government and international irrigation programmes aim at increasing this crucial percentage to 75 or 80 by 1957/58.

Following the two excellent rice crops of 1953 and 1954, prospects appeared favourable for rice export of perhaps 100,000 tons. Negotiations with interested buyers failed to produce agreement on prices and other terms, and the expected export was not achieved. Part of the stock intended for export was released from government storage bins in June 1955 to combat the seasonal price rise, aggravated by reduced summer cereal crops, and prospects at the time of release of an inferior rice harvest.

Credit problems continue to beset the Korean farmer. He owns his land, as a result of land reform. He may not, however, alienate it to his creditors, and ordinarily has no other collateral for bank loans, whether for seed or fertilizer, or to hold crops off the market to wait for seasonably higher prices than prevail at harvest time. As a result, he is dependent on local money-lenders at a standard interest rate of about 20 per cent per month in most districts, and he must sell his crop when prices are lowest. To alleviate this situation, some 2,700 million hwan were made available for farm credit during the 1954/55 fiscal year by the Bank of Korea through the Federation of Financial Associations.

Considerable improvement was observed in the *forestry* situation, where Korea faces deforestation with its accompanying evils, erosion and flooding, as a result of centuries of over-cutting, particularly in the vicinity of the larger cities. Imports of sawn timber and logs continued. There was some increase in the use of coal briquettes for cooking and home heating. The use of peat, of which there are large areas, for household purpose was not popular, in spite of widespread campaign, largely because of its odour and the difficulty of setting and keeping it alight. Also, the 1954/55 winter was relatively mild. There was thus a reduction in forest tree cutting and pruning. In the meantime, an intensive tree planting programme was carried out in the spring of 1955, about 350 million seedlings having been planted.

Landings of *fish* and other marine products declined by 4 per cent during the 1954 calendar year. It was the second successive decline. The value of marine exports, however, rose by 16.5 per cent in 1954 over 1953. The decline in production was due to a continued shortage of fishing boats, and continued deterioration of the existing fishing fleet. The first half of 1955 will show a further drop below the 1954 figure, with the additional handicap of inadequate fuel-oil deliveries to fishing boats. On the other hand, prospects for the second half of 1955 and for subsequent years are more favourable. The Korean Government-UNKRA programme of fishing-boat construction and repair was put into operation during the autumn of 1954, and several hundred boats were repaired during the first six months of 1955. In addition, 10 large new foreign-built trawlers arrived during March and May 1955, and 53 smaller vessels were added to the Korean fishing fleet between January and the end of June. The paucity of investment and working capital within the fishing industry and the difficulty of obtaining long-term credit are, among other things, also the main cause of delay in development.

Industrial production and transport

Power generation in south Korea has undergone a rapid rehabilitation, but is still substantially below domestic and industrial requirements. Total power generated was 932 million kWh in the year ended 30 April 1955, as against 777 million in the previous year. The increases in power generation occurred both at steam and hydro-electric plants, particularly the latter. Output from the United Nations Command power-barges was up by only 10 per cent, but they continued to supply 275 million kWh of the 932 million total.

Rehabilitation of a large generator at the Hwachon Dam was completed in July 1954, adding about 27,000 kW to the country's generating capacity. This capacity now totals about 120,000 kW. Construction now under way should add 100,000 kW of thermal power by September 1956. Extrapolating present trends and allowing for completion of existing projects, it is expected that a balance between supply and demand for electric power at substatnially the present prices will be realized during 1958.

1. Resources from the Bank and from private investment are concentrated during the last two years of the plan.

2. More detailed break-downs include the following: (1) Real capital investment: agriculture and forestry, $81 million; fisheries, $32 million; mining, $50 million; power, $135 million; transportation, $181 million; communication, $40 million; manufacturing, $217 million; education, public health, public utilities, housing, etc., $200 million. The "manufacturing" figure, in particular, includes three fertilizer plants, two cement plants, a glass plant, an oil refinery, a small ship-yard, chemical plants, and sufficient additional capacity in textiles and paper to make the economy essentially independent of imports in these fields. (2) Raw materials and consumer goods: concentrated in raw cotton, coal, wheat, cement, lumber, petroleum, oil, and lubricants.

Manufacturing production showed mixed but generally upward trends during the fiscal year 1954/55. The increase was mainly attributable to four factors: increased raw material supplies both imported through the aid programme and purchased with Korean Government foreign exchange, the restoration of damaged plants, the entry of new machinery into operation, and increased supplies of power. Many plants, however, are still hampered by power shortages and irregular supplies of raw materials. Credit is almost unavailable at reasonable rates to most small business, for either working-capital or long-term purposes, although some relief is given by the Korean Reconstruction Bank and, on a smaller scale, by the UNKRA Small Business Loan Fund.

Gains were reported in the manufacture of textiles, paper, cement, coke, bicycles, light bulbs, batteries, insulators, pottery and porcelain, soap and tobacco products. In cotton textiles, however, output failed to keep pace with capacity as measured by number of spindles. Output of tobacco products showed only a moderate rise. Production of two important items, rubber shoes and salt, did not come up to the previous year's figures; weather conditions were largely responsible in the latter case.

The value of *mining* output declined somewhat in the 1955 fiscal year, almost entirely due to a fall in production of tungshan concentrates (64-80 per cent WO). Other mineral production, including coal, improved quite generally. The increase in anthracite production (12.5 per cent) was especially encouraging. It reflects new management in the government-operated Dai Han Coal Company mines, and also improved credit arrangement permitting the payment of the money portion of coal-miners' wages. These had been in arrears for some months in 1954; the miners had resorted to wholesale absenteeism to supplement the rice rations, which they continued to receive, with cash income from other jobs. The health condition of the miners are reported to be poor, as 80 per cent of the underground workers are said to suffer from tuberculosis or solerosis of the lungs.

Tungsten could only be exported through the government owned Korean Tungsten Company, which also produced 90 per cent of the wolfram mined. An agreement between the United States and Korean Governments had provided for the purchase by the United States Government of the entire south Korean output for three years or up to 15,000 tons at a price which was almost double the world-market level at the time the agreement expired in March 1954. Production was ordered stopped by the Government, pending its decision, which took nine months to make, to sell in the world market. During 1954/55, only 2,456 tons of tungsten concentrates were produced, as compared with 7,006 tons in the preceding 12-month period, a 65 per cent decline. This decline, as will be seen, had a significant effect on south Korean foreign-exchange earnings, of which tungsten exports have come to be the major single source (about 70 per cent). The value of those exports dropped by 94 per cent in 1954/55 from the 1953/54 level. However, monthly international auctions of tungsten, instituted successfully in January 1955, have since reactivated tungsten mining operations on a maller but encouraging scale.

In *transportation*, the Korean National Railway's freight shipments fell off during the year 1954/55, while the passenger mileage increased. The decline (21 per cent) in freight shipments (to 158 million ton-kilometres per month) was due to large reduction in military tonnage; transportation of materials for the civilian economy actually increased. Despite reduced military demand and despite an increase of 1,075 freight cars between December 1954 and May 1955, a shortage of freight cars still exists. Even aid goods are periodically held up by freight-car shortages at the ports of entry. Passenger-kilometres averaged 332 million per month, an increase of 10 per cent. This was made possible by conversion of some 200 box cars from abroad. Here again, the shortage remains acute. Work progressed satisfactorily on the construction of three new rail lines, of which the most important are expected to link the largest coal mining area of Samchok and the nearby industrial area on the cast coast with the main national railway line and with a thermal power plant at Yongwol which has been operating at one-third of capacity for lack of coal.

TRADE AND PAYMENTS

Both visible exports and visible imports (excluding aid goods) fell sharply during the fiscal year ended 30 June 1955. Imports fell more than exports. On the export side, the decline was concentrated in tungsten. As mentioned in the preceding section, the tungsten purchase agreement with the United States expired in March 1954 and was not renewed. The fall in imports was caused by reduced imports of cereals and miscellaneous consumer goods. The south Korean visible trade deficit was cut substantially, from $95 million in FY 1954 to $55 million in FY 1955.

Measured in dollar receipts, south Korea's major export continued to be tungsten ($1,858,000, including $835,000 received for exports to the United States in the previous fiscal year). Next in order came raw silk ($1,121,000), graphite ($1,090,000), edible seaweed ($916,000), anthracite ($600,000), inedible seaweed ($590,000), iron ore ($406,000), bristles ($384,000) and bismuth ($361,000). On the import side, the largest single item was rayon yarn ($8,454,000), followed by worsted yarn ($5,142,000). Following these two textile items were sugar ($3,520,000), textile machinery ($3,234,000), newsprint ($1,917,000), cotton yarn ($1,538,000), and electrical machinery ($1,266,000). These figures all cover only the first 11 months of the fiscal year beginning 1 July 1954.

Increased sale of south Korean services served to offset south Korea's trade deficit in the fiscal year 1954/55, particularly since the latter declined. The foreign-exchange holdings, therefore, increased by some $16 million, while open-account indebtedness (to Japan) increased only very slightly (see table 67). As can be seen, however, these "services" were rendered largely to the United States and United Nations forces in south Korea itself, and will not continue as a balancing item after these forces are withdrawn.

The volume of aid-goods arrivals under the several non-military international assistance programmes also speeded up substantially to $195 million in 1954/55, compared to $164 million in 1953/54. These imports, supplied free of charge, do not enter the south Korean balances of trade or payments. They serve to maintain south Korean consumption, permit south Korean real investment, and reduce inflationary pressures. The majority of these imports absorb local currency which is employed to offset the budget deficits, to meet local costs of economic reconstruction and development, and to finance industrial operation. Two main methods are followed. Imports of raw materials and equipment by government or aid agencies are sold to the entrepreneurs, some items at government controlled prices. Another part of the United States aid fund is sold by the Bank of Korea to commercial firms for importation of

TABLE 67

REPUBLIC OF KOREA: ABBREVIATED BALANCES OF TRADE AND PAYMENTS, FISCAL YEARS 1953/54 AND 1954/55

(million US$)

	Year ending 30 June	
	1954	1955[a]
Exports	39.2	14.7
Imports (excluding aid imports)	133.9	69.9
Trade deficit	−94.7	−55.2
Receipts for services	58.0	74.7
(United Nations and US military)[b]	(47.9)	(63.8)
(All other)	(10.1)	(10.9)
Payments for services	7.7	8.6
Net receipts for services	50.3	66.1
Net current account balance	−44.4	10.9
Increase in Japanese open account	33.4	1.6
Net errors and omissions	0.9	3.4
Increase in foreign-exchange holdings	−10.1	15.9

Source: Ministry of Finance.

a. Estimated.
b. Includes resettlement for loan advances, dollar auctions and military aid dollar payments.

approved goods for sale to the public. The local currency thus derived is deposited to a counterpart fund account. Aid-goods arrivals continue to lag behind the annual aid programmes. Three-fifths of the aid scheduled in the 1953/54 and one-third in the 1954/55 programmes, particularly in their investment aspects, were still to arrive and would make their impact on the south Korean economy at the end of the 1955/56 fiscal year.[1] The reason for the lag in arrivals of ICA/FOA aid goods was that the agreement on each programme and the aid fund needed to finance it required such long negotiations that it could not be implemented until late in the respective fiscal year.

Special problems with respect to both commercial and aid (UN and US) imports from Japan had arisen since 1953 when an unofficial embargo was placed upon them. The matter came to a head in 1954. Ever since the Korean liberation in 1945, there have been numerous unsettled issues between the two governments. On the economic side, these issues relate to (1) property claims by citizens of each country on the territory of the other, (2) the Korean claim to sovereignty, and particularly fishing rights, in waters up to 96 kilometres off the Korean coast line, (3) the status of Korean residents in Japan, and (4) the mounting Korean open-account indebtedness to Japan.[2] In November 1954 the Korean Government agreed to accept aid goods imported from Japan provided that country was the cheapest source of supply compared with other sources for goods of the same quality, but difficulties arose regarding quality specifications and the volume of actual aid goods imported from Japan has remained small. In August 1955 the Korean Government suspended all commercial trade with Japan, following Japanese reiteration of certain property claims in Korea dating from the Japanese regime. This trade remained in suspension in September, with the Republic of Korea exploring new markets for its exportable goods.

1. Cf. *Economic Survey of Asia and the Far East, 1954*, p. 146, note 1.
2. The Koreans ascribe this mounting indebtedness, which began to accumulate in 1954, to Japan's refusal to accept Korean exports in the volume formally agreed to under the Korean-Japanese trade agreement. The Japanese blame Korea's inability to maintain export volume in the face of war damage, or to compete with rival suppliers in price or quality.

Exchange rates

The Korean Government had persistently refused to recognize the continuing depreciation in the exchange value of the hwan as the internal price level rose with the inflation spiral. Consequently, the pegged official rate became progressively overvalued in terms of the real worth of the hwan. As a result, a complex multiple-rate system developed at a time when the Government was forced to protect the export and certain domestic industries against the consequences of the unrealistic official rate. There were also well organized, though officially illegal, open market dealings in foreign currency notes, cheques and other payment orders, smuggled gold and U.S. military payment certificates—MPC or the so-called "G.I. money". The latter, denominated in U.S. dollars, is used only by authorized military and civilian personnel and valid only in U.S. military establishments and authorized U.N. establishments in south Korea. They are however much in demand by the Koreans as a hedge against inflation and by some merchants for use in illicit trade with Japan. Their exchange rate with U.S. dollar notes is at a discount of generally 25 per cent.

Private foreign exchange balances are permitted to be held at the Bank of Korea—the only bank authorized to deal in foreign exchange transactions. Up to the beginning of 1955, holdings were segregated according to the source from which the foreign exchange was originally derived.

Firstly, there were the Exports Accounts to which proceeds of exports and related services were deposited. These were transferable between holders, who must however be registered exporters with certain specified qualifications. Secondly, there were the General Accounts which were confined to foreigners enjoying diplomatic privileges. Third, there were the Special Accounts to which foreign exchange derived from sources other than exports were deposited. Transfers from the latter two accounts to the Exports Accounts were subject to official permission. The Exports Accounts were further divided into sub-accounts for export earnings from Japan, export earnings from other countries, "preferential"[3] earnings from exports to Japan, and "preferential" earnings from exports to other countries. Consequently, there arose many rates of exchange, depending to a major extent on the degree of restriction to which the particular type of foreign exchange was subject. Thus the "preferential" and exports account dollars permissible for payment of imports from Japan obtained the highest price, with approximately 30-40 per cent premium over other exports account foreign exchange of which the use was limited to items on the Government's approved list. These rates were well above the official rate, which was raised from 60 hwan to 180 hwan to the U.S. dollar on 15 December 1953 and remained at this rate until June 1955. During this period, the Export Account rate rose from 280 hwan to over 500 hwan to the U.S. dollar, while the rates valid for imports from Japan were much higher. (Table 68).

The multiple-rate system was also fostered by the licensing system of import control in which each specific type of goods was subject to a quarterly quota restriction. As a result, imports of essential goods and materials for which there was

3. As a special incentive to exporters, a portion (5 per cent to 15 per cent) of the proceeds of certain exports is permitted to be retained by them for a variety of unrestricted use, e.g. imports of semi-luxury goods, goods outside the quota, foreign travel; exporters can thus be compensated for losses in the sale of their export products by the profits obtainable from importing scarce goods or from selling their priviledged foreign exchange.

great shortage were limited to and their internal prices dictated by the extent of the quota allocated for them in any quarter. Similar restriction was also placed upon private commercial procurements being financed with ICA (FOA) aid dollars which were sold by competitive bids for each type of commodity. Thus the exchange rates for ICA aid dollars varied from 180 hwan to over 500 hwan to the U.S. dollar, depending on the internal price level of and the amount of dollars authorized at a given time for the particular commodity being procured.

There were therefore some thirty or forty exchange rates applicable for imports. Some, notably fertilizer, coal and raw cotton of which the sales prices were subject to Government control, were procured at special rates below the official rate, but these were revised at the beginning of 1955 and by mid-1955 most rates were in the range of 360 to 500 hwan to the dollar.

The Government owned U.S. dollars, derived from the surrender of the export proceeds of tungsten from Government operated mines and from the repayment of monthly advance of hwan to the United Nations Command for local military expenditures, were allocated at irregular intervals as "loans" to importers repayable in hwan on a multiple-rate basis, which was higher than the official rate but varied with the particular type of commodity approved for import. Late in 1954, the multiple-rate was abandoned in favour of a single rate of 200 hwan. In October 1954, the "loan" method of selling Government dollars was replaced by competitive bids. The average rate for the first sale was over 500 hwan to the U.S. dollar, although the dollars could not be used for imports from Japan. The United Nations Command was permitted in November to sell U.S. dollars by the same method to obtain hwan needed for current military expenditures and sales to United Nations military and civilian personnel, instead of receiving monthly advances from the Government for repayment in U.S. dollars at the official rate. However, the UNC dollars could be used only for importing specified goods approved by the Korean Government and could not be used, in particular for purchasing most Japanese goods.

It was about this time that the Korean Government began to recognize fully the harm which the out-dated quota system and the highly complex multiple-rate system had done and were doing to the country, and serious attempts were made to put an end to this system. The import quota system as well as the segregation of private foreign exchange holdings into three types of account were abolished in January and February 1955, but the sub-divisions of "preferential" foreign exchange and the exports earnings from Japan and from other countries were retained.

Table 68 presents certain official and other rates in June 1955. The military rate increased subsequently because of anticipated termination of the dollar auction system.

On the basis of experience gained from the sale of government dollars, ICA aid dollars and UNC dollars in 1954 and 1955, the official hwan-dollar rate was revised to 500-to-1, following United States-Korean discussions in Washington in August 1955. At the same time, measures were taken to make the new rate effective. ICA aid dollars allocated for private commercial procurement were sold and the hwan needed by the military command were exchanged by the Bank of Korea at this new rate. Most imports under government price control were put on the new rate immediately, while

TABLE 68

REPUBLIC OF KOREA: SELECTED EXCHANGE RATES, JUNE 1955

	(Hwan per US$)
Official rate	180
Military conversion rate (weighted average of auction sales)	489
Export rates	
Preferential (valid for Japan)	1,391
„ (invalid for Japan)	1,370
Export (valid for Japan)	796
„ (invalid for Japan)	586
Open-market rates	
Gold	855
Dollar notes	753
Military payment certificates	571

Source: Office of the Economic Coordinator of the United Nations Command, *Annual Report for Fiscal Year 1955*, p. 190.

a few items imported at the rate of 350 hwan to the dollar (notably coal and fertilizer) were to be adjusted by easy stages to the new rate but in any case by 1 January 1956. The future of special incentive rates for Korean exporters has not been determined officially. While the Korean Government is making a strong effort it remains to be seen whether the new rate can be effectively maintained for any length of time.

FINANCE AND PRICES

Public finance and the budget

After the United Nations Command's decision to replace United Nations troops with Koreans, the Korean government has taken steps to raise and maintain a peace-time Korean army of 20 divisions. After the Korean armistice of 1953 deficits resulting thereby were to be financed with the local currency from the aid goods counterpart fund account. Deficit in the fiscal years 1953/54 and 1954/55, initially financed almost completely by borrowing from the Bank of Korea, have been major contributing factors for increased money supplies, and the inflationary rise in commodity prices. A third successive deficit budget was adopted in August for the 1955/56 fiscal year, promising continuance of the same general trend, unless it can be counteracted by the timely implementation of the projected aid programmes.

The 1954/55 budget covered a 15-month period from 1 April 1954 to 30 June 1955, as the Korean Government changed its fiscal year from April-March to July-June. Three supplementary budgets were necessary during the year, in addition to the principal one. The revisions were caused by a number of factors: flood relief in late 1954, reoccupation of demilitarized territory north of the 38th parallel, financing of the Korean Reconstruction Bank, increases in official cereal prices, increased military pay and subsistance, etc. In addition, receipts fell below estimates, since aid goods were late in arriving and counterpart funds fell short. Military expenditures dominate the picture, accounting for H.85,100 million or 71 per cent of the total expenditure. (Veterans' expenditures and national police are included in the military category.) The budget deficit of H.21,600 million was larger absolutely but smaller relatively than the deficit of the previous fiscal year (H.20,400 million), over-all expenditures having more than doubled (H.52,000 million in 1953/54, H.119,800 million in 1954/55.) The full effect of the government

expenditure and deficit was not felt by the end of the fiscal year, since some H.12,000 million authorized during 1954/55 will be spent during 1955/56.

The 1955/56 budget was drawn up on a slightly different basis and has not been made strictly comparable with the earlier budgets. The figures should probably be regarded as tentative, since revisions will probably be required by the new exchange rate of 500 hwan (instead of 180) to the dollar. The over-all deficit of H.20,200 million is comparable in size but smaller in proportion than its predecessors, government expenditures having increased further to H.167,900 million. A large part of the increased expenditure is accounted for by a long-overdue increase in the pay for government officials (including school teachers, commissioned and non-commissioned officers). The new schedule, effective in August, increases the money portion of the average civil servant's salary from 4,003 to 16,565 hwan. The rice portion remains valued at official prices, the average figure being 3,435 hwan.[1]

The 1955/56 budget was however suspended by President Syngman Rhee early in September. The salary increases to government employees were waived for another year, after having been paid in August. Increased transportation and communications rates, monopoly prices, etc. were also withdrawn after having been in effect for a month. The net effect of those changes is expected to be a reduction of the budget deficit by perhaps H.6,000 million.

The published budgets cover the Central Government only, adequate figures for local government units not being available. They are also incomplete in that the operations of the "vested companies" are not included. These are former Japanese-owned properties and enterprises vested in the Korean Government in 1945. The more profitable or otherwise attractive ones have been largely sold, 154,000 in all and 73,000 in the fiscal year 1954/55. Left undivested, and largely operating at a loss, are some 138,000 pieces of property, representing 40 per cent of the total estimated value of the "vested companies". The Korean Government hopes to sell all the remainder, much of it suffering from war damage, poor management, inadequate repairs, and material shortages, during the current fiscal year. Sales are by competitive bidding, but only Korean citizens are eligible to bid. Occupiers of residential vested properties or managers of vested business enterprises are given the opportunity to meet any "outside" bids, while the government refuses to sell below certain "reservation prices", which have in the past often been too high for sales to be made.

There were no important changes in the south Korean tax system during 1954/55. Tax receipts rose from H.18,350 million in the year ending 31 March 1954 to H.34,630 million in the year ending 31 March 1955, reflecting increased collection efficiency as well as higher prices and increased output of some taxed commodities. The major stress is on indirect taxes, which are probably regressive. The land income tax, which farmers pay in produce (in lieu of other income taxes), is the most controversial element in the system. A vigorous campaign was launched in 1955 for its repeal, as imposing on the farmer more than his fair share of the income tax burden. The tax was extended for another year primarily to avoid the expansion of the money supply which would have been provided to finance open-market purchases by the government or its employees at open-market prices the rice now collected by this tax and distributed in rations.

1. Market prices in August were approximately 2.75 times this figure.

Controversy also arose in September 1955 regarding the application of south Korean income tax and profits taxes to foreign firms, particularly as regards collection of back taxes. Foreign residents claimed that assessments were arbitratry and that the levies were based on gross rather than net income, and proposed in some instances to leave the country rather than pay the amounts assessed. The Korean Government is reported to have expressed itself as willing to negotiate in individual cases.

National bond sales yielded H.3,000 million of revenue in 1954/55 and are relied on for H.5,000 million in 1955/56. These national bonds are issued for 5 years, and bear 5 per cent interest. They are sold on a compulsory basis to recipients of government contracts, licenced loans, allocations of goods, and other economic privileges. They are transferable, and may be resold immediately after purchase. The resale price as of August 1955 of a bond redeemable in 1960 was approximately half its face value.

Money and credit

The Republic of Korea has a relatively well developed banking system. There is a central bank, the Bank of Korea. There are four commercial banks with 157 branches throughout south Korea, a government owned Korean Reconstruction Bank[2] specializing in longer-term industrial credit, and 138 financial associations with 395 branches for agricultural credit under the centralized control of the Federation of Financial Associations. Because of the low level of voluntary savings, however, most of the credit advanced by these institutions is traceable to the money created by government deficit financing and the Bank of Korea.[3]

Three of the commercial banks are vested companies. The bulk of their stock is held by the Korean Government, and management is in the hands of Government appointees. This system has given government agencies and government enterprises (*i.e.* other vested companies) certain advantages over private business in securing credit. The first attempt to divest these banks by selling stock to individual Koreans was made in late 1954, but the method of block sales of stocks by bids has thus far failed because of the high reservation prices placed by the government upon the bank shares.

The main check upon inflationary credit expansion by the commercial banks in south Korea has been a so-called "loan ceiling" system. An upper limit is imposed on the total volume of commercial bank loans, and this limit is further broken down by banks and by industrial categories. The ceilings are imposed, and revised quarterly, by a Monetary Board which includes representatives of the Finance Ministry, the Reconstruction Ministry, the Bank of Korea, and the Office of the UNC Economic Co-ordinator (who is also the Director of the United States Operations Mission in the Republic of Korea). The ceilings do not apply to loans to government agencies, loans to government-managed vested companies, or loans to finance the purchase of aid goods. Outside these favoured categories, bank loan rates averaged between 12 and 15 per cent per annum.[4] The government deficit and credit expansion in the favoured categories were generally sufficient to point the price level upward, and there has been constant

2. Formerly Industrial Bank.
3. The Bank of Korea is subject to no limitation on the amounts of currency it may issue, but the amount it may lend to the government is limited by the National Assembly.
4. The Bank of Korea rediscount rate was 18 per cent per annum in August 1955, with increases under discussion.

pressure to raise the loan ceilings with the price rise. The consequent credit expansion is suggested in table 69, which shows the dependence of the commercial banking system upon the Bank of Korea for its loan operations.

TABLE 69

REPUBLIC OF KOREA: COMMERCIAL BANK RELATIONS WITH THE PUBLIC AND BANK OF KOREA

('000 million hwan)

	1954	1955
1. Cash and deposits with Bank of Korea	4.6	5.0
2. Deposit liabilities	16.8	27.0
3. (1) as per cent of (2)	27.0	18.0
4. Loans from Bank of Korea	4.2	12.2
5. Loans to public	13.0	26.9
6. (4) as per cent of (5)	32.0	45.0

Source: *UNC Report*, p. 181.

The Korean Reconstruction Bank is a new government agency, founded in April 1954 to supply long-term and intermediate-term credit at relatively low rates (10 per cent per annum on the average) to industrial enterprises. As of 30 June 1955 it had outstanding H.13,900 million in credits, concentrated in certain key industries: electric power, irrigation, coal, marine products, cement, fertilizer, chemicals, and industrial alcohol. It has been originally hoped to finance this institution largely by sale of its securities to the public. This proved impractical in the absence of organized security markets and in the general inflationary environment of Korea. Of the bank's total assets of H.18,500 million (as of 30 June 1955), practically the entire amount was subscribed by the Korean Government and the Bank of Korea which had to take up the total issue of the bank's Reconstruction Bonds. About H.1,600 million are represented by counterpart funds; this proportion is expected to rise as a result of the 500-to-1 exchange rate.

The financial associations have also been financed largely by loans from the Bank of Korea through the Federation of Financial Associations rather than by the savings of farmers themselves. The total loans provided by the Federation (H.1,914 million as of 31 March 1955) are almost entirely accounted for by the Federation's borrowings from the Bank of Korea (H.1,794 million as of the same date).

The combination of govenment deficit financing and bank credit creation has led, as indicated by table 70, to a money supply expanding at a rate well in advance of the real output of the south Korean economy. The main counter-acting force has been the sale of government foreign exchange and foreign economic aid (measured by actual arrivals of imports), and it has been quite inadequate as a counter-weight thus far.

Prices and wages

In 1953/54, a 150 per cent increase in the money supply was accompanied by only 8 per cent wholesale price rise. In 1954/55, however, both wholesale and retail prices rose by approximately 110 per cent between June 1954 and June 1955, but declined from August. Grain price rises were primarily responsible for the increase in the all commodities price index, the rise being partly occasioned by the insufficient rainfall in May and June.

TABLE 70

REPUBLIC OF KOREA: FACTORS AFFECTING CHANGES IN MONEY SUPPLY, 1953-55

('000 million hwan)

	Year ending 30 June		
	1953	1954	1955[a]
Factors for increases			
Government deficit	2.9	35.7	20.1
Net drawings by United Nations Forces	6.9	8.8	−2.3
Bank credit expansion	9.3	11.0	25.9
(To government agencies)	(2.5)	(1.6)	(−0.8)
(To others)	(6.8)	(9.4)	(26.7)
Miscellaneous (net)	0.1	−1.8	6.8
Total	19.2	53.7	50.5
Factors for decreases			
Aid goods sales proceeds	3.0	6.2	17.3
Foreign exchange sales proceeds (official)	5.6	16.8	4.3
Total	8.6	23.0	21.6
Net increase in money supply (including time deposit)	10.6	30.7	28.9
Total money supply (including time deposit)	21.0	51.7	80.6
Time deposit	5.9	13.6	26.6
Total money supply (excluding time deposit)	15.1	38.1	54.0
Net increase in money supply (excluding time deposit)	7.1	23.0	15.9

Source: *UNC Report*, p. 183.
a. Preliminary.

The basic cause of the persistent Korean inflation is the desire of the Korean people and their government for a greater volume of economic goods and service than can be provided by their own resources and the amount of external aid available to them, both civilian and military. In each section of the economy, the scarcity problem presents itself as a lack of money or credit, but when the money and credit is created, the result is higher prices rather than more goods and services. The "inflationary gap" between Korean desires and resources has been estimated statistically by the Office of the Economic Co-ordinator, at $300-$400 million annually (see table 71).

TABLE 71

REPUBLIC OF KOREA: INFLATIONARY GAP

(million US$)

Aggregate demand		Aggregate supply	
Consumption of Korean population[a]	1,550	Gross national product	1,800
Investment needs, including reconstruction	300	Foreign aid, civilian	200-300
Civil Government, Republic of Korea	150	Foreign aid, military[b]	200
Armed Forces, Republic of Korea	600	Inflationary gap	400-300
Total	2,600	Total	2,600

Sources: Adapted from Office of the Economic Co-ordinator, *Annual Report*
a. At $70 per capita.
b. Includes only military budget support; excludes deliveries of equipment free of charge.

It can be argued persuasively that under certain conditions inflation can increase employment and output, and therefore accelerate economic recovery and development, if used in small doses and for short intervals. There is no doubt, however, that the Korean inflation has long since exceeded desirable limits.

Save for the loan ceiling restrictions on commercial bank credit, no comprehensive system of checking inflation by over-all or indirect controls has been evolved. The direct-control system is equally fragmentary. The government insulates its own employee in substantial degree from inflation, by paying part of their wages in rice at low official prices. Many other employers follow suit, paying in kind if not in food rations. The government does set official prices for rice, for fertilizer, and for many imported raw materials and capital goods, but free public sales at higher prices are not in most cases illegal (foreign currency being one of the exceptions) and much of what is purchased at official prices is resold profitably in the free market before being consumed or processed further. Government enterprises (including the vested companies) are required to sell part or all of their output at low prices fixed by the National Assembly. These low prices, falling far short of production costs in many cases, are supported as anti-inflationary measures.[1] However, the resulting deficits must be financed, usually by inflationary credit creation, and the net effect on the total economy is probably inflationary more often than the reverse.

South Korean wage statistics are fragmentary and delayed. It appears generally, however, that wages lag behind prices when inflation accelerates, only to catch up when inflation slows down. It also appears that retail grain prices exercise more direct influence on the "fair wage" notions of workers and employers than does the over-all retail price index.

With the tempo of price increases remaining high during 1954/55, wages have appeared to lag somewhat. Although retail prices in Seoul rose by 87 per cent between June 1954 and March 1955, wages rose by only 43 per cent. However, wage movements varied considerably, both between industries and between occupations in a single industry.[2] Wages of plasterers, masons, painters metal workers, printers, and book-binders in Seoul, for example, rose by over 100 per cent in the year ended April 1955. Wages of bricklayers rose by 76 per cent and those of textile workers by 80 per cent. In less skilled trades and in certain depressed industries, on the other hand, the picture was quite different. Wages for ordinary unskilled labour in Seoul rose by 60 per cent in the year ending April 1955, and for unskilled heavy labour by only 30 per cent. Workers in rubber goods (a depressed industry) received increases averaging less than 20 per cent. In a number of trades (tailoring, glass-making, soy-sauce brewing, blacksmithing), actual declines were reported in Seoul or Pusan (primarily the latter city) during the first half of 1955.

1. "The fixed ceiling prices . . . are determined on the assumption that the government will make available sufficient quantities of imported raw materials at the low official prices. In practice, however, the quantities available at the official prices have not been sufficient to permit efficient operations, and most concerns have had to purchase part of their raw materials at substantially higher prices in the free market". Zanzi, *op. cit.*, p. 38.

2. While Korean trade unionism is weak, skilled workers are scarce, and their individual bargaining power is strong. As for the unskilled, the employers apparently feel an obligation to see their employees reasonably well fed, and consequently tend to raise wages when rice prices rise, even when impersonal market forces would permit them to resist demands for increases.

Chapter 13. LAOS

The Laotian economy which, up to the end of 1954, was integrated with those of Cambodia and Viet-Nam, has been going through a difficult period of transition and adjustment, especially since the end of quadripartism on 30 December 1954.[1] Problems in finance, trade, rehabilitation and development face the country, a land-locked area of nearly 250,00 square kilometres containing an estimated population of about 2 million. Few technicians are available, and very little domestic capital. Basic data are almost entirely lacking. The country possesses tin and almost untapped forest resources and has to import nearly all manufactured goods.

REHABILITATION AND DEVELOPMENT

The country's Five-Year Plan (1953-1957), prepared by the Government's Planning Bureau and constantly revised, aims mainly at increasing agricultural production and improving means of transportation which are costly and do not provide direct access to the sea. In regard to transportation the traditional route has been from Vientiane to Saigon: from Vientiane to Savannakhet via the Mekong river and from Savannakhet to Saigon by road. For the improvement of this route, the government has recently purchased motor barges and tower-pushers, and has partly rebuilt the road from Savannakhet to the Vietnamese border which leads to Saigon; it has also sold under the hire-purchase system 150 five-ton trucks to the transport companies in the country.

A new means of access to the sea through Thailand is being closely studied. Now that the portion of the railway from Udorn to Nongkhai (both in Thailand) has been completed, goods will be able to go by train from Bangkok to Nongkhai, thence by boat across the Mekong, and finally by truck for another 22 kilometres to Vientiane.[2] There is the possibility of extending the railway line all the way to Vientiane, but the government has taken no decision on it.

In addition to its major purposes, already mentioned, the Five-Year Plan also aims at improving airport facilities and increasing power production. The power plants in Vientiane and Savannakhet have recently been reinforced by the installation of new capacity. The Luangprabang plant has been completely re-equipped.

The country suffers greatly from lack of manpower, which partly explains why some lands remain uncultivated. The lack of skilled technicians is acute, especially in the fields of mechanical and civil engineering. The technical school which was created in Vientiane in 1951 was expanded to a technical college in 1954. A training centre is now being organized at Savannakhet.

Economic development is financed entirely through foreign aid. For 1955 and 1956, an amount of Fr 2,800 million has been allocated under French aid: Fr 1,350 million for public works (mainly construction of roads), Fr 850 million for schools, hospitals and enlargement of the airport of Vientiane, Fr 600 million for technical assistance and development of agricultural and mineral production. About one-ninth of the French aid is direct in kind, the rest being in French francs at the free disposal of the Laotian Government. United States aid for 1955/56 amounts to about $50 million. It includes military assistance, commercial assistance and economic assistance (approximately $13 mililon). Economic aid covers roads, education, improvement of agricultural production, post and telegraph services and public health.

PRODUCTION

Agriculture

In 1954, production of *rice*, cultivated on an area of about 900,000 hectares, amounted to 654,000 tons; of this production, paddy rice accounted for 547,200 tons and "rays" rice for 106,800 tons.[3]

The 1954 output of *other crops* was estimated as follows: maize 10,140 tons, groundnuts 1,779 tons, coffee 1,560 tons, tobacco 1,150 tons, cotton 373 tons and ramie 90 tons.[4]

Up to 1951, *coffee* had been the most important export commodity. Annual production reached 1,500 tons and export proceeds were of the order of 45 millions kips (piastres) per annum. In recent years production declined on account of destruction by the Hemileia insect and in 1955 on account of frost. It is hoped that in 1956, with US aid, production will begin again on the Bolovens Plateau. No precise information is available on other agricultural products such as *tobacco*, the annual production of which is of the order of 600 tons.

Livestock breeding plays an important part in the national economy, particularly in the valleys of Sedone, Sebanghieng and Sebangfay—all in south Laos.

Before the war, the livestock population was estimated to comprise 250,000 cattle, 300,000 buffaloes and 250,000 pigs. The most recent estimate (1954), while giving the same figure for cattle as before the war, showed a decline in buffaloes to 105,000 and in pigs to 180,000, which was attributed to lack of proper vaccination and disturbed conditions. Export of livestock was prohibited up to October 1955; there is a project to import 3,000 buffaloes, 3,000 cows and 5,000 pigs.

The treatment of skins and hides takes place in small cottage workshops in numerous centres. During the first six

TABLE 72

LAOS: GOVERNMENT SALES OF FOREST PRODUCTS, 1938 AND 1953-55

		1938	1953	1954	1955 (Jan-Jun)
Timber	m³ ('000)	20	22	30	26
Firewood	m³ ('000)	23	100	95	23
Charcoal	ton ('000)	—	2	3	2
Bamboo	m³ ('000)	—	14	15	10
Benzoin	ton	—	8	7	—
Cardamom	ton	—	32	23	15
Sticklacquer	ton	—	16	51	27
Wood resin	ton	—	238	1,045	290
Rattan	ton	—	220	150	50

Source: Directorate of Forest and Water Resources.

1. See the section on "The end of quadripartism" in *supra*, chapter on Cambodia.

2. It may be noted that the new route is much less expensive. An agreement on goods in transit between Laos and Thailand which went into effect from 1 November 1955 permits goods to reach Vientianne duty-free through the port of Bangkok. While the cost of shipping bulk goods over the old route was from $100 to $150 per ton, depending on river conditions, it will be $20 to $25 per ton over the new route from Bangkok.

3. Under the "rays" system there is mixed cropping with mountain rice and the land is abandoned after the harvest and can be taken over by others without objection in the following years. This disastrous practice which destroys the forest (and the land which left without cover after the harvest soon becomes degraded), is the only form of livelihood of the mountain people. Attempts to improve this mode of life are being studied by the government. (Documentation prepared by the representative of Laos for the FAO Centre on Land Problems in Asia and the Far East held in Bangkok from 22 November to 11 December 1954, Rome 1955, p. 449).

4. *Ibid.*

months of 1955, the production of skins is estimated to have reached 95 tons, as compared to 183 tons in the whole of 1954 and 142 tons in the whole of 1953.

Forests and forest products are important natural resources, but their development is hampered by transport difficulties.

The number of saw-mills increased from 7 in 1950 to 22 in 1954. The country's normal needs in timber can be estimated at 60,000 cubic metres per annum. Manufactured wood (doors, window frames, furniture) has to be imported from Thailand, as lack of skilled labour greatly increases the cost of local production. It is hoped that this situation will improve with the introduction of machinery. Forestry by-products such as resins, sticklacquer, cardamom and benzoin are in demand in foreign markets.

Much land in Laos is still unexploited, partly because of lack of capital and manpower. As early as 1953, measures were taken to enable farmers to obtain loans at a reasonable rate. Such loans in 1954/55 reached Kp 6.7 million for agriculture, Kp 4.9 million for livestock and Kp 5 million for forestry. The amount per loan ranged from Kp 10,000 to Kp 300,000; repayment was set at 4-7 years, with annual interest at the low rate of 2 per cent.

Industry and transport

Only handicraft production (brick- and pottery-making, distilling, silk-weaving) is widespread; factory industries are almost non-existent. Production of electricity is extremely limited, and barely meets household requirements in Vientiane, Savannakhet and Luangprabang. The total rose from 1.16 million kWh in 1953 to 1.45 million kWh in 1954.

Before the war two tin mines were in operation (Boneng and Phontiou), with a combined production of about 1,800 tons. Only the Phontiou mine was rehabilitated. It produced 500 tons of ores (50 per cent metal content) in 1953, but stopped in December; in July 1954 extraction was again started, with an output of about 10 tons a month.

There are less than 3,000 kilometres of roads in Laos, of which only 1,077 kilometres are motorable during six months of the year. The total sum allocated by the budgets (national and communal) and by foreign aid to maintenance and improvement of roads and bridges amounted to Kp 40 million in 1953, Kp 50 million in 1954 and over Kp 60 million in 1955.

The number of vehicles in use was 1,899 in 1954 as compared to 1,401 in 1953.

The main river traffic, as noted, is between Vientiane and Savannakhet; the quantity of goods transported reached 16,000 tons in 1953 and 14,000 tons in 1954.

The Public Works Department maintains and constructs buildings, and improves airport facilities and waterways. Altogether a sum of Kp 160 million was allocated in 1955, most of which had been spent by July.

TRADE

In post-war years the external trade of Laos has been characterized by substantial trade deficits, mainly financed by French aid up to 1954 and by United States aid in 1955.

Imports include, in order of importance, textiles, foodstuffs, metals and machinery; more than one-half come from France. Tin, tobacco, coffee and forest products are the principal exports. During the first quarter of 1955, Laos exported 176 tons of tin valued at Kp 7 million, representing about one-half of total export proceeds.

Since the dissolution of the Customs Union, Laos has established its own customs. The customs tariff has however remained unchanged since the end of quadripartism, and France continues to benefit from preferential treatment.

Both exports and imports are subject to licence. There is some barter trade—exports of cows against imports of rice. Up to the end of quadripartism, there were very few import firms since most of the merchandise was purchased directly in Saigon. Since the beginning of 1955 a few new import firms have started operating, among the most important of which is the Lao-Thai Company, with 51 per cent Laotian and 49 per cent Thai ownership.

Up to 1954 about four-fifths of imports came through Viet-Nam and Cambodia, the remaining one-fifth from Thailand. During the first quarter of 1955 more than one-third of the imports came through Thailand. This trend will probably increase with the transit agreement signed in July 1955 with that country: effective as from 2 November 1955, this agreement includes a most favoured nation clause (superseding the conventional customs area established by the former Franco-Thai agreement). One of the first results of this agreement has been to lower the price of petrol in Vientiane by over 20 per cent.

FINANCE AND PRICES

In 1955, the Government of Laos had a national budget of Kp 601 million and a special budget for rehabilitation and reconstruction of Kp 553 million. Total estimated government expenditure thus amounted to Kp 1,154 million, exclusive of the military budget financed by US aid. No revenue was allocated to the special budget which was likewise expected to be financed by foreign aid. The national budget revenue was estimated at Kp 295 million, leaving a deficit of Kp 306 million to be financed partly by the assets originating from the former Institute d'emission and partly by foreign loans, yet to be negotiated. The main taxes are import duties and sales taxes which are estimated to yield Kp 140 million and Kp 71 million respectively in 1955; other taxes such as income and land taxes are small.

On 1 January 1955, the National Bank of Laos was created as a bank of issue with a capital of Kp 100 million subscribed by the government. It has a foreign exchange department and also performs the functions of a commercial bank. Its main activities so far have been to issue money and buy and sell foreign exchange. Its foreign exchange holdings increased from Kp 260 million at the beginning of the year to Kp 1,380 million at the end of July. During the same period, money supply increased from Kp 856 million to Kp 2,059 million, and the currency reserves from 43 per cent to 114 per cent.

From December 1953 to December 1954, the cost-of-living index for middle-class Laotians increased by 9 per cent; from January 1955 to September 1955, a further 2 per cent rise occurred.

Laos is an isolated country, with but few resources that it is in a position to mobililize at this time. It thus depends on foreign aid for rehabilitation, development and defence. Improvement in transportation, expansion of production and exports, and the building up of a fiscal system to finance most of its current government expenditures are prerequisites for further development of the country.

Chapter 14. MALAYA AND BRITISH BORNEO

Although the Malaya and British Borneo area presents political and economic variety, the five territories possess certain similarities which spring from the common inspiration of their administration, from the source and nature of their capital supply, and from their dependence, with the exception of Singapore, upon income from primary exports. The differences are equally obvious. Politically, the area comprises three British Crown Colonies—North Borneo, Sarawak, and Singapore—and two British-protected territories—the State of Brunei and the Federation of Malaya; new constitutional developments in the Federation of Malaya and the colony of Singapore have, however, brought about a higher degree of self-government in these territories. Each of these entities has its own peculiar economic characteristics and problems—North Borneo attempting development with its labour shortage and its limited funds; Brunei with its wealth in oil attempting to define the optimum pace and limit of development; Sarawak achieving a certain diversification in agricultural production but urgently requiring development of its interior; the Federation of Malaya with its continuing dependence upon rubber and tin; and Singapore, the entrepot binding the area together with its port facilities and its complex of agency houses and financial institutions.

From the former Straits Settlements of Singapore, Malacca, Penang, and, to a lesser extent, Labuan, both British colonial economic administration and European and overseas-Chinese capital moved into the interior to develop economically the Malay states and the three territories of British Borneo. Private capital established the rubber, tin, oil and timber industries, which developed under a system of sound finance, balanced budgets and stable currency, under which final policy decisions were made within the tradition of the United Kingdom's colonial service.

Today Singapore and the Federation of Malaya's Penang continue to play their traditional role, with their exclusive position modified, however, by the development of Port Swettenham and the facilities which have arisen in the towns of the Federation. Labuan in North Borneo serves as a transshipment point for the British Borneo coast from Miri to Kudat, including, especially, its richer but port-less neighbour, the State of Brunei. Singapore remains dominant, and its British and other exchange banks still finance the bulk of the area's exports, while the Chinese banks finance the imports, and Chinese merchants and British and foreign agency houses break down the shipments in Singapore and distribute them to the towns and ports of Malaya and British Borneo.

The trend towards increased government participation, arising mainly from post-war reconstruction needs, changed the passive economic role of the governments into active participation in development,[1] and by 1955 all the territories were following patterns established by comprehensive plans which carried development schemes up to 1960 and, in some cases, beyond. Local loans have been raised mainly from local banks and insurance companies, the Post Office Savings Bank and, in the Federation of Malaya, the Employees' Provident Fund. However, with the exception of Brunei and Singapore, these development schemes require financial means beyond the resources of the area. The need is met by various colonial financing programmes—the Colonial and Welfare Development grants, the Colonial Development Corporation, the Colombo Plan and the borrowing facilities of London. Territorial allocations were made for the first time this year by the Colonial Office under the Colonial Development and Welfare Act, which has been extended to 1960.

With such external help, availability of capital has not, as yet, been a limiting factor, and the additional revenue in 1955[2] resulting from the exceptionally high price of rubber and sustained prices of other exports will, except in Singapore,[3] ensure the continuity of the development programme and provide additions to uncommitted reserves which might otherwise have been exhausted, except in Brunei and Sarawak,[4] by the end of 1956. The speed of development is restricted by the obvious necessity for certain projects to proceed in sequence, (e.g., soil surveys must precede agricultural settlement, roads must precede new rubber planting) and by the limit on availability of qualified staff. Technical education, which received lengthy consideration in the International Bank Mission's report,[5] has been hampered by lack of qualified teachers.

The five territories are also bound together economically by their status as "scheduled territories" and consequent inclusion in general sterling-area controls, and by their participation in the Malayan Currency Union. Malaya is, of course, a major contributor to the dollar pool, and during the first six months of 1955 its exports to the dollar area totalled M$425 million. The provisions of sterling area controls on dollar area purchases are modified to allow Singapore merchants to obtain dollar area goods in Hong Kong where their import has been financed on the open dollar market. In the first half of 1955 a total of M$42 million of such goods was imported as compared to M$47 million dollar-area goods paid for in United States dollars. This exception is utilized only by Singapore which is permitted to re-export them to the other four territories for sterling, although other re-export markets are required to provide dollars.

1. The content of the development programme was, however, not adequate for a balanced and diversified growth.

2. The fiscal year in Malaya and British Borneo is the same as the calendar year.

3. The prospects of additional revenue in Singapore are restricted to an extra few million dollars from the duties on petrol, tobacco and liquors, against which the income tax receipts are likely to fall considerably short of the original estimates. It is possible that, owing to expenditure being behind schedule, there will not be an actual deficit on revenue account during 1955.

4. Sarawak's free balance at the end of 1955 is estimated at more than M$50 million and will not be exhausted even by the end of 1956.

5. International Bank for Reconstruction and Development Mission: *Economic Development of Malaya* (Johns Hopkins University Press, 1955). This report in broad outline endorses the development programme both of the Federation and of Singapore, and is now under consideration by the two governments.

The Malayan Currency Union is the logical development of the Straits Currency Board which, since 1898, had issued notes circulating freely in the five territories. A 1952 currency agreement made the territories jointly responsible for the currency, and since 1953 this 100 per cent sterling-backed currency has been the sole legal tender in Malaya and British Borneo. The Malayan dollar currency is managed by a Board of Currency Commissioners whose duty it is to invest a proportion of the reserves in sterling securities—income from which in 1954 totalled M$24 million—and otherwise to maintain the currency laws, basic to which is the concept of free Malaya dollar-sterling convertibility. The headquarters of the Board is Singapore.

Transfers of funds between the Malayan currency area and London are effected by operation on the Singapore inter-bank sterling market. A net movement of sufficient magnitude in either direction results in the sale to the Commissioners of Currency of either Malayan dollars or sterling, against which the Commissioners provide funds at the fixed exchange rate. The Commissioners charge, however, a 1/8d commission on every Malayan dollar bought or sold, and it is this commission which allows the operation of the inter-bank market. Actually, exchange rates fluctuate between 2s 3 27/32d and 2s 4 5/32d, allowing for a bank commission of 1/32d at the limits. Despite the fact that the public has access to the Commissioners of Currency for all transfers over a minimum of £10,000 or M$100,000, the commercial nature of almost all exchange transactions of this magnitude effectively limits access to the banks, and changes in the money supply are initially a consequence of changes in the bank's monetary liabilities. If banks experience or anticipate a currency drain or surplus over current requirements of Malayan dollars, dealings with the Commissioners will result. In 1955 the rise in rubber prices and the improvement in the balance of payments caused a strong market for the Malayan dollar, which has remained at the "super-top" Singapore rate of 2s 4 1/32d selling and 2s 4 5/32d buying since 15 December 1954.[1] Exchange rates in the area are based on the Singapore rates plus internal transfer charges. Active note circulation increased as bank monetary liabilities fell during the first months of 1955 and partly for this reason and partly in anticipation of further increases, the banks bought M$9.25 million in currency notes from the Commissioners in January and a further M$12 million in June by selling the Commissioners an equivalent amount of sterling.

The basic feature of the Malayan monetary system is the close relationship it allows with London, a consequence of both the banking system and the sterling-exchange standard. The result, therefore, is that Singapore enjoys discount rates on usance bills identical with those obtained in London, while interest rates obtainable at banks tend to be related to, and change as a consequence of, monetary changes in London. When the bank rate in the United Kingdom was raised in January 1955, for example, the Malayan Exchange Banks' Association in Singapore had, within three weeks, raised the agreed minimum rates of interest for dollar advances. A second increase in the bank rate in February resulted in a structure of Singapore interest rates varying from 5 per cent against government and/or municipal securities to 6½ per cent against property.

1. This is the TT (telegraphic transfer) best agreed merchants' rate on London set by the Malayan Exchange Banks' Association.

The foreign exchange banks tend to concentrate on finance of the export trade; the Chinese banks, on the import trade; and there are certain smaller Chinese banks with specific clan or business specializations. In general, it is true that the Malayan banks, in keeping with British banking traditions, are primarily organized for the financing of trade rather than development. At the end of March 1955 their loans and advances in Malaya totalled M$561 million; their investments, M$152 million; and their holdings of local treasury bills, M$13 million.[2] Credit for rural and small-scale industrial development requires a different type of institution, the need for which the co-operative banking and credit unions established in the Federation, Singapore, and Sarawak are beginning to meet, while specialized institutions, *e.g.* North Borneo's Credit Corporation, have been established to provide government funds beyond the capabilities of the co-operatives. Private savings have been mobilized by the Post Office Savings Banks of the various territories and by the savings accounts of the commercial banks, while, in the first half of 1955 in the Federation, deposits into the Employees' Provident Fund exceeded withdrawals by M$21 million. Private savings have not been attracted to government security purchases, but savings for the Malayan Currency Area in Post Office Savings Banks alone reached M$164 million at the end of 1954.[3]

The idea of a central bank for Malaya and possibly for British Borneo, was given official recognition in the announcement that a committee of experts to study the matter had been selected.

MALAYA

The dependence of Malay's economy on primary exports and the dominating role of the rubber-producing industry have been generally emphasized. In 1955, considering the exceptionally high price of rubber, the rubber, tin, and other primary sectors of the economy are expected to contribute a little over 50 per cent to the year's national income.[4] Although this percentage has shown some variation over the years since 1950, such variation is more a reflection of the changing price of rubber than of any basic change in the nature of the economy.

The high rubber prices also affected Malaya's balance of trade for the first six months of 1955. An increase in rubber exports of M$269 million over the second half of 1954 was partially offset by a fall in the value of tin, coconut oil, petroleum, and other exports, total exports for the first half of 1955 rising to M$1,868 million, or M$210 million over the second half of 1954. Imports of manufactured consumer goods, vehicles, steel, and other industrial raw materials increased significantly, and the resulting favourable balance was M$52 million.

2. Banking statistics are published for the Federation of Malaya and Singapore only. The non-availability of banking statistics for British Borneo makes it impossible to obtain a figure for total bank monetary liabilities in the Malayan Currency Area, and it is therefore impossible to calculate the money supply for the area.

3. These figures do not include the M$141,000 saved during the year under the students' saving schemes of the Federation and Singapore. There is no post office savings bank in North Borneo, although the two commercial banks have savings bank facilities, deposit figures for which are not available.

4. In 1954 the primary sector contributed some 86.7 per cent of the total value of exports from the Federation (see table 73).

Chart 22

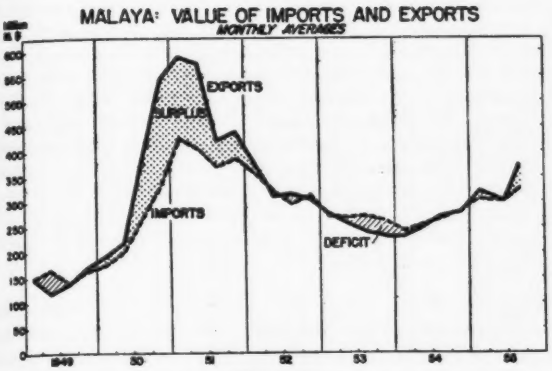


Chart 23

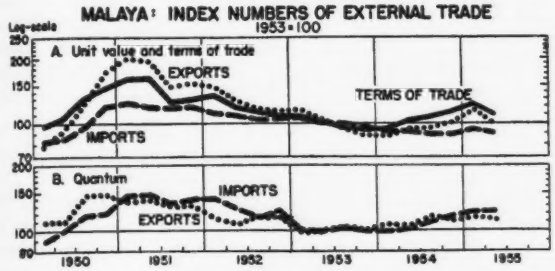
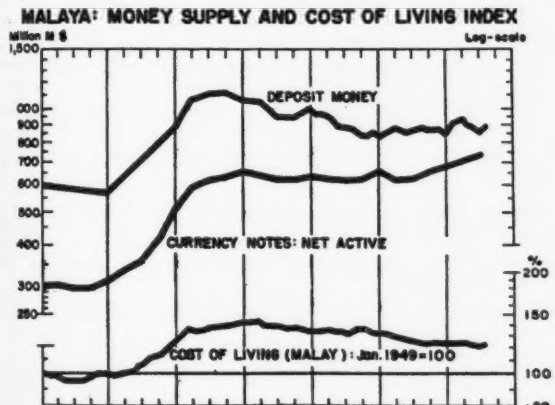


Chart 24



From the economic standpoint, Malaya in general remains co-ordinated.[1] In 1954 approximately 39 per cent of the Federation's imports and 43 per cent of its exports passed through Singapore. Agency houses and banks in Malaya are subjected, in general policy, to the head office in Singapore. Movement of population between the two territories is unrestricted, and many Federation retailers are serviced directly from Singapore wholesalers across the Johore causeway. In the government sector of the economy, income and company tax laws are co-ordinated, immigration regulations are identical, and certain government services and development programmes are inter-territorial.

The 1947 census revealed that approximately 9 per cent of the Malayan working population was engaged in secondary industry. This pan-Malayan figure, however, hides a significant distinction. Whereas in the Federation nearly 40 per cent of the industrial labour force in 1947 consisted of own-account workers and unpaid family helpers, in Singapore this proportion was significantly less—just over 10 per cent—and there is no reason to suppose that any major relative changes have occurred since 1947. Singapore is an urban centre, modifying its entrepot basis by developing an industrial potential. The Federation is basically a primary-producing area, its industry depending chiefly upon handicraft and cottage-type undertakings, and only to a limited extent upon larger-scale enterprises.

Some outward signs of dissatisfaction with the existing rural-urban relationship appeared in the Federation this year on the occasion of the labour unrest in Singapore. Divisive tendencies are restrained by the cost of developing substitute facilities, by the unifying effects from the operations of the private sector, and by the as yet unrivalled facilities of Singapore as an entrepot for South-East Asia. But even now, Singapore manufacturers suffer from the Federation's revenue tariff. These problems arise at a time when a maximum of co-ordination is required if the Malayan economy is to be prepared for a lower price for natural rubber and for population expanding at the rate of about 3 per cent per annum.

1. In one respect this close co-ordination has already been modified. The unified Malayan Civil Service, under which officers were posted to administrative positions without regard to whether the vacancy was in Singapore or the Federation, continues in name only. Officers are, in fact, either Singapore or Federation officials, and this cannot help but affect their outlook on problems which concern both territories.

TABLE 73

FEDERATION OF MALAYA: EXPORT OF PRIMARY PRODUCTS, 1951-1955

	Million Malayan dollars					Percent of total				
	1951	1952	1953	1954	1955 (Jan-Jun)	1951	1952	1953	1954	1955 (Jan-Jun)
Rubber	2,227	1,241	870	860	658	70.5	59.4	55.3	54.3	64.4
Tin (metal and concentrates)	396	465	347	358	176	12.5	22.3	22.1	22.6	17.2
Other main primary products[a]	180	147	151	160	78	5.7	7.1	9.6	10.1	7.6
Sum of main primary products	2,803	1,854	1,368	1,377	912	88.7	88.8	87.0	87.0	89.2
Other exports	358	235	204	205	110	11.3	11.2	13.0	13.0	10.8
Total net exports	3,161	2,088	1,572	1,582	1,022	100.0	100.0	100.0	100.0	100.0
Total exports including re-exports	3,379	2,134	1,598	1,625	1,049					

Source: *Monthly Statistical Bulletin* of the Federation of Malaya.

a. Comprising copra, coconut oil, palm oil, palm kernels, pineapple, timber and iron ore.

Federation of Malaya

The Federation's prosperity is dependent upon two primary exports—rubber and tin—the result of private development and utilization of existing economic resources. Their predominant role could only be altered at considerable cost, in the short run at least, to the country's national income. The decision has been made and registered in the country's development plans to continue this predominant role while attempting, at the same time, to encourage diversification in agriculture and light industry.

But today Malaya's natural-*rubber* producers face severe competition from the now privately-owned synthetic industry at a time when their trees are old and production costs correspondingly high. The mission of experts under the chairmanship of Sir Francis Mudie emphasized, therefore, the need for more efficient production. The mission's report concluded: "In spite of the age of her trees and the competition of synthetic rubber, Malaya can continue to prosper and her output of rubber can be increased, but only if vigorous and united action is taken now . . . the key to the problem is replanting."[1]

With natural-rubber prices dangerously high[2] in the context of long-run competition from a synthetic product, "united action" is now being taken. Until mid-1955, replanting, seriously behind schedule, had been financed by (1) an *ad valorem* cess on rubber exports–on estates for refunding on evidence of replanting, and on small holders for payment to a small-holders' replanting fund, and (2) a further 4.5 cent a pound cess, returned without qualification to estates on the basis of production figures, the balance being used to supplement funds available for small-holders' replanting. The present system, which is a compromise between the tax proposals of the Mudie Mission and the counter-proposals of the industry, was adopted and came into effect in June 1955. An anti-inflationary cess when price of rubber reached the 100 cent a pound level (RSS 1, Singapore), which it did in June, is levied but set aside for later return to the industry in times of low rubber prices. Proceeds from a more highly progressive tax on rubber exports[3] has been partly responsible for the elimination of the Federation's estimated budgetary deficit of M$149 million for 1955.

The government expects to subsidize replanting from general development funds over the next eleven years to a total of M$280 million, including M$168 million for estate replanting and M$112 million for small-holders. This provision will halve the costs of replanting for the average estate and assist the small-holders with the capital outlay for replanting, while judicious catch-cropping can ease the loss of income over the initial unproductive life of the trees. This direct aid from general revenue, which obliges estates that have already replanted to assist in the financing of others, is new and emphasizes the urgency of the problem in the view of the government.

Both the Mudie report and subsequent government policy have stressed replanting although some encouragement was paid to new planting. New planting requires additional overhead expenses in the form of roads and buildings, and suitable rubber land still available is limited in the more developed areas. Some 12,140 hectares of small-holders' rubber is being planted in the Kedah foothills, but the estates' new planting is usually limited to their own reserved lands. By the beginning of 1955 a total of 28,700 hectares of small-holders' rubber land had been replanted in rubber and a further 809 hectares had been used for replanting in other crops, which is allowed under the replanting scheme. In 1955, of the applications approved, totalling 18,805 hectares —and applications had to be in before the beginning of 1955 —about 17,402 hectares had actually been replanted by August, a percentage only slightly lower than in 1954.

Small-holders' rubber production is especially susceptible to changing prices, since in many cases only a high price will cause small-holders to hire additional tappers and to concentrate on rubber production as opposed to their other economic activities—for example, paddy cultivation. For the first six months of 1955 estates and small-holders produced 303,400 tons of rubber compared with 264,600 tons for the first half of 1954. Of this 38,800 tons' increase in output, 34,000 tons came from small-holders.

However beneficial a high rubber price may be to the federal government's finances, there is a danger that in the long run such prices as prevailed in the second half of 1955 will stimulate the synthetic-rubber industry. Competition with this industry is one of the serious unknown factors in the future of the Malayan economy, a factor which gives special point to a second urgent recommendation of the Mudie report —natural-rubber research. The 0.5 cent per pound cess which the industry levies on rubber exports to finance research and promotional and development activities is now totally inadequate, but attempts to raise the cess to the 0.75 cent recommended in the Mudie report have met with objection from larger firms in the industry which conduct, in any case, their own research programmes. In 1954 and 1955 no new research was initiated on an industry-wide basis, and the prospects for 1956 are not encouraging.

The market for the Federation's rubber and the grades of rubber produced have been changing over the years. Local consumption by the Federation's 28 factories, although still small, has increased. In the first six months of 1955 they produced 553 tons of rubber compounds, 5.8 million pairs of rubber footwear and 16,500 metres of rubber hose. Malayan exports of rubber, which include rubber imported into Singapore and Penang for re-export, were more widely distributed in 1954 and the first half of 1955 than previously, with Malaya's two biggest markets, the United States and the United Kingdom, taking a relatively smaller share.

In the period July 1954-June 1955, production of *tin*-in-concentrates reached 62,000 tons compared to the 1940 peak of 82,000 tons and the 1953 total of 57,000 tons. The value of the 1954/55 production was M$370 million or 90 per cent in value of the Federation's mining production, compared with M$187 million in 1940. However, tin production in the first six months of 1955 fell one per cent below that in the second half of 1954, owing chiefly to five strikes which resulted in a loss of over 20,000 man-days. A slight rise, from £693 to £724, in the monthly average price of tin per ton, London, was recorded over the first six-month of 1955, but this was not sufficient to offet the decline in tin exports caused by the temporary fall in production. The International Tin Agreement signed by the United Kingdom on behalf of the Federa-

1. *Report of the Mission of Enquiry into the Rubber Industry of Malaya*, Kuala Lumpur, 1954, p. 53.
2. As regards the prolongation of the present boom demand, much depends on whether the replacement of conventional tires by tubeless types which in going on in the United States will be extended to Europe.
3. Export duties below 80 cents a pound are considerably less than under the pre-June tax structure.

tion in 1954 had not yet been ratified by the necessary number of participating countries, but the Federation Government approved proposals made for the implementation of the production quota given in anticipation of ratification. Long-run production of tin may be affected by two further factors. The Emergency has prevented prospecting on a scale sufficient to replenish the tin reserves now being mined, and a uniform policy on the alienation of land for tin mining would be difficult because control is in the hands of the states.[1]

Production of *iron* ore, Malaya's second most valuable mineral resource, showed a similar production pattern—an increase from 1.08 millon tons in 1953 to 1.23 million tons in 1954, but, in the first half of 1955 a fall to 604,000 tons due to unusually low output in January and February. These figures compare with a 1940 peak of 1.99 million tons. Prospecting is being undertaken in Pahang and Kelantan and, on a small scale, in Perak and Kedah, and production is reported likely to increase substantially within a few years.[2] 94 per cent of the iron ore mined in 1954/55 came from Bukit Besi in Trengganu, and transport difficulties make its use in the Federation extremely costly. The bulk of the iron mined is exported to Japan, and none is smelted in Malaya.

Bauxite, ilmenite and *gold* production increased in 1954/55, but the production of *coal* fell significantly in the face of competition from imported fuel. Illustrative of the Federation's heavy dependence on foreign markets is the story of *columbite,* production of which rose, in response to foreign demand for stockpiling, from 61 tons in 1953/54 to 190 tons in 1954/55. When in May 1955 this demand ceased, the industry was left over-expanded, although miners continued operating in the hope of a revival.

Despite the fact that rubber occupies about 65 per cent of the entire cultivated area and accounts for 16 per cent of the total gainfully-occupied population and 64 per cent of 1955 (January-June) export earnings, increased emphasis is being placed on the *rice, cacao,*[3] *palm oil, copra, tea, pineapple,* and *fishing* industries, production in which has remained at approximately the 1954 level. Agricultural production (excluding rubber) in 1955 has not suffered markedly from the increase in rubber prices, and paddy yields per acre have increased owing to rice improvement and development programmes especially in the field of drainage and irrigation which, in 1955, accounted for the scheduled expenditure from loan funds of M$10 million. Credit and marketing have, however, proved to be serious problems in outlying areas.

Although the government has no marketing department, it guarantees a minimum price for paddy and has encouraged the formation of co-operative societies which, at the end of 1954, numbered 1,761 with a total working capital of M$37.6 million. There are rural co-operative credit societies, banking unions, and, at the top of the co-operative credit structure, the Apex Bank, which was formed in September 1954; it began operations in early 1955, and the government assigned it M$5 million for emergency assistance to paddy farmers when the government-guaranteed minimum price for rice was lowered from M$17 to M$12 per picul[4] in response to the falling price of imported rice. Despite these efforts, it is apparent that the *padi kuncha* system, whereby credit is extended to the farmer by local merchants in return for a certain quantity (*kuncha*) of grain to be delivered at harvest, is still operating and that the concealed interest is unreasonably high.

The Federation's *forestry* policy is directed at self-sufficiency in timber, and this, even at the present rate of population growth, may be possible. However, effective control of timber reserves must be maintained, which is difficult under present State autonomy with regard to land policy. Planned planting is rare, regeneration being almost entirely natural under Malayan forest conditions. Exploitation of forests requires the construction of access roads, for which an expenditure of M$400,000 was made in 1955. Development in *fisheries* includes the encouragement of fisheries co-operatives and schools and the Kelantan Fish Marketing Scheme.

The original *development* plans of the Federation, 1950-55, have been revised in the light of experience, the availability of resources, and the United Kingdom's extension to 1960 of the programmes of the Colonial Development and Welfare Act. A 1955-60 revised plan as submitted in 1954 is now being reconsidered in view of the International Bank Mission's report, yet the differences are not great enough—except in the road-building programme—to invalidate the general magnitudes of the 1954 plan as the basis of discussion. The plan calls for an expenditure of M$484 million which will cause an estimated increase in recurrent expenditure of M$12 million annually by 1959. Although replanting is the largest single capital expenditure in the programme and other economic projects (transport and communications, power, etc.) take up a major part of the total scheduled development expenditure, social development expenditure, including health and education, will reach approximately M$60 million by 1960. The sources of development capital come mainly from loans, for which M$370 million has been authorized,[5] but further capital to the amount of M$44 million will come from Colonial Development and Welfare grants and M$22 million will be requested from the International Bank and the Colombo Plan. As little or no funds are expected to be available from revenue to finance additional recurrent expenditures, emphasis in the programme has been placed upon self-financing projects as well as loans to local governments and individuals for approved development projects.[6]

Development loan expenditure chargeable to advances totalled an estimated M$59 million in 1955. These advances are partly financed by Treasury Bills, M$59 million of which were outstanding on 31 December 1954. In view of the increased 1955 revenue, it is possible that part of the expenditure may be charged to current revenue and the loan programme modified accordingly. A further development expenditure of M$2.6 million against the 1949 loan was estimated for 1955, and M$42 million was expended against loans authorized but only partly used.

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1. Alienation of land is a State prerogative under the present Federal Agreement which is scheduled to be reviewed in 1956.
2. Department of Mines, Federation of Malaya, *Quarter Bulletin of Statistics of the Mining Industry.*
3. Cacao, which has been the subject of a series of experiments in Malaya since 1948, may be the crop through which agricultural diversification can become a realistic policy. Potential production is probably 100,000 tons requiring 120,000 hectares, mainly on the underdeveloped eastern side of the peninsula. In October 1955 a new firm, with a capital of £200,000, was formed which, in conjunction with the Colonial Development Corporation, will begin the development of Malaya's cacao into a major industry.
4. 1 picul = 133 1/3 lb = 60.5 kg.
5. Whether loans totalling M$370 million will actually be raised depends upon the state of the budget and the success in obtaining funds from other sources.
6. International Bank for Reconstruction and Development Mission, *op. cit.*

Features of 1955 development were M$12 million for the continued high level of investment in the Malayan railways, M$700,000 for scheduled completion of the last link in the economically vital east-west trunk road, M$6 million for various schemes of the Central Electricity Board including the Connaught Bridge Power Station, M$14 million for housing and M$12 million for public utilities. Housing development is a function of the Federation's Housing Trust and the Federal and Colonial Building Society. Smaller housing projects have been undertaken by government departments for their own staff and by the Rural and Industrial Development Authority (RIDA). A satellite town, Petalling Jaya, near Kuala Lumpur, is under a separate authority for which M$2 million was allocated. The scheduled M$400,000 improvement of facilities at Kuala Lumpur airport was completed by the end of 1955, thus making it possible for international flights to land there; further extension to the airfield depends, however, on a decision to remove the railway line which crosses one approach to the runway.

Under the Emergency conditions which continued in certain parts of the Federation, it is especially important to record not only the big projects but also the smaller aspects of development, especially the contributions of RIDA, the co-operative movement, and the beginnings of a community-development programme.

RIDA is a government corporation charged with stimulating, facilitating, and undertaking both economic and social development; its 1955 projects, which were facilitated by an additional grant of M$1 million from federal funds, include pig farming in Malacca, fishing in Trengganu, and copra planting in Johore. RIDA's role in handicrafts, especially in the crafts of the east coast, has been more active as a result of the report in 1954 of an ILO expert. Kelantan silver-ware and basket-ware are now featured along with other local products in special government-sponsored shops in Singapore and Kuala Lumpur, while a committee has been appointed to consider standardization of production, increased output, and overseas markets in fields where demand is already proved. These are just highlights of many projects and schemes, the total estimated government expenditure on which will reach M$7 million by the end of 1955, while the authority's training programme will require an additional M$500,000. The significance of RIDA is that it reaches down into practically every *kampong* in the Federation, and, by its decentralized control, element of self-help, and willingness to consider small projects up to M$2,500 on the basis of a guarantee rather than more formal banking security, succeeds both in bringing the idea of development to the people and in associating them in the development process. Unfortunately, a community-development programme, the essential social counterpart to RIDA, has been slow to start. A further hurdle in development is the absence of an entrepreneur class among the Malays. Nevertheless, the opportunities—one might even say the temptations—are being provided for such participation, and Malays are now being financed in many small industries.

While Singapore is Malaya's main entrepot, the value of *Penang's* export trade showed significant increase in the first half of 1955. Imports increased slightly over those of the last quarter of 1954. Penang's future as a free port was under study in 1955, although it is quite certain that, unless a satisfactory free-trade area can be designated in the port itself, it will be necessary for the entire island to continue in its present status. Import-duty rebates on Penang manufactures using raw materials from the Federation are at present being granted on the basis of individual arrangements upon their reimport into the Federation.

Singapore

Faced with a rapidly increasing settled population, which can be absorbed into existing enterprises only within certain limits, Singapore has turned its attention to the development of *industry*, particularly small industry. The Singapore Improvement Trust is offering 1/10 hectare sites on its Alexandra Industrial Estate, on which are already housed plants for the manufacture of hats, shoes, pencils, and wine, aluminium-processing works, a printing press, etc. The Alexandra Estate borders the new Queenstown Housing Estate where low-rent blocks of flats are being built. Some of the bigger new factories have been erected on land developed by the Colonial Development Corporation at Bukit Timah, but it is likely that the biggest share of the recent development has been undertaken by private enterprise on land that has been secured by private enterprise.

Among the *development* projects, the Pasir Panjang power station, with a total capacity of 150,000 kW, will be completed in 1956 and should be adequate for the needs of Singapore industry until 1962-63 as well as for the requirements of the Federation's Central Electricity Board, which buys power in bulk from Singapore for distribution in the Johore Bahru area. Other projects are the opening of the M$38 million Paya Lebar airfield in August 1955, the East Lagoon scheme of the Singapore Harbour Board, which includes the addition of nine berths, totalling 1,700 metres in length, at an estimated total cost of M$40 million, and the M$7 million Kallang Bridge scheme to take traffic from the heavily over-loaded road system to the eastern suburbs. M$3 million of Singapore's development funds were estimated to have been spent in 1955 on the Kallang Bridge scheme.

The development of industry cannot but be affected by the labour unrest in Singapore. In the six month period April-September 1955, over 800,000 man-days were lost in strikes and lock-outs.

Despite the labour unrest and the tariff problem that threatens the intra-Malayan trade in manufactured goods, there are basic skills and facilities in Singapore which cannot be ignored—and they are being improved. The current *immigration* policy allows entrance of persons earning a salary over M$500 a month, and admits, on a temporary basis, skilled workers with smaller salaries. The purpose behind this legislation is that, as Singapore has a surplus of unskilled and a shortage of skilled labour, alien skilled workers admitted temporarily shall pass on to the Singapore employees their skills and so lay the basis of a highly-trained labour force. In addition, necessary legislation has been passed to set up a Polytechnic Institute, for which steps are being taken to erect the necessary buildings and procure the required skilled staff. Work is going ahead on the building of new technical schools both in the primary and secondary stages. The entrepot activities provide a sound basis for secondary industry based upon the products which enter into this trade.

Singapore's *entrepot trade* is still growing in importance, although it is especially true that labour costs, affecting as they do all the operations of the port, may determine in certain marginal cases the profitability of dealing with Singapore. Its agency houses and wholesalers provide the "shop window" for South-East Asia; in so far as importers in the area which Singapore serves are agents or branches of Singapore importers, its role as entrepot is assured.

Sterling-area exchange regulations allow the purchase with transferable sterling of all consumer goods available in Singapore and all capital goods except those of US dollar-area origin. To encourage the trade in rubber, exchange-control authorities provide the Indonesian Government with US dollars on a percentage basis, and there are barter arrangements for trade with Indonesia's minor ports. In 1955 import controls were further relaxed on Japanese piecegoods and cement and the list of goods directly importable from the dollar-area was expanded.

Singapore has a total area of 742 square kilometres of which 161 square kilometres consist of the Christmas Islands in the Indian Ocean.[1] Of the 581 square kilometres which include Singapore island and surrounding islands, only 148 square kilometres are used for *agricultural* purposes. Rubber still covers the largest area—6,410 hectares—but production at 1,380 tons for 1954 is, comparatively speaking, nominal. Singapore's greatest agricultural need is for vegetable production; in 1954 13,000 tons were produced, and several schemes are now being considered to increase production, including the encouragement of co-operative marketing.[2] The cost of reclaiming swamp land, the poor quality of the soil, the need to maintain forest reserves to ensure water supply, and the land requirements of the growing urban area all preclude, however, a significant increase in Singapore's agricultural production.

The most significant feature of Singapore's *development* in the public sector, and a potential source of future fiscal problems as well, is in the field of social services—educational, medical, and social welfare. Of the M$60 million scheduled to be spent on capital development by the Singapore Government in 1955, two-thirds will be spent on education and social welfare and a further one-sixth on medical services.

Under the Development Plan for 1955, Singapore Government projects account for M$60.6 million or about 46 per cent of the total development expenditure of M$132.4 million. The City Council was scheduled to spend $46.7 million, mainly on public utilities, including the Pasir Panjang Power Station already mentioned; the Singapore Harbour Board $3.1 million; and the Singapore Improvement Trust M$22 million.

The application for land under the above-mentioned development plans is co-ordinated in the Singapore Master Plan, based on diagnostic survey begun in 1952. In August 1955 the passage of a bill which froze land values at the April 1955 level permitted the publication of the Master Plan which had been submitted by the Singapore Improvement Trust earlier in the year.

It is estimated that up to M$500 million will be required between 1956 and 1959 to finance the approved development plans of the Singapore Government, the Harbour Board, the City Council, the Improvement Trust, the Telephone Board, etc., of which M$350 million will have to be raised by loans. The City Council, which arranges its own loan finance, proposes to borrow about M$100 million of its total development requirement of about M$160 million. The other agencies, which will presumably continue to depend as in the past on Government for loans to finance their plans, will require not less than M$150 million, of which the greater part will have to be found on the market. The development plans are, however, flexible and if it is found that money is not available expenditure proposals will be drastically cut. While it is true that the current public debt of Singapore is but M$115 million and that the current provision for sinking funds and payment of interest amounts to only M$6.48 million, which is just over 3% of total revenue, and that there is undoubted scope for further borrowing, there is very real doubt, whether, even with the assistance of the newly constituted Central Provident Fund, it will be possible to raise the average of M$80 million a year which will have to be found if the plans are to be fully implemented.

There is reason to believe that the prospects of increased recurrent expenditure arising both from the implementation of the plans, particularly those relating to the social services, and from the normal growth of the cost of Government, are even more disturbing. The report of the International Bank Mission contains a warning, but since then developments have made the position seem more difficult. There is in fact the very real possibility that expenditure to be debited to revenue will increase so much in the next few years that it will in the end be found impossible to finance the development plans at present rates and to planned standards. The Government of Singapore is likely to follow orthodox financial policy and to endeavour to hold recurrent expenditure, including the cost of servicing loans for capital expenditure, at a figure which can be covered by existing revenue, supplemented by such additional taxation as is found possible.

The International Bank Mission has pointed to the need for increased taxation, specifically a higher and progressive income tax, and increased charges for medical and other Government-provided services. These recommendations are being considered by Government, and it seems possible that since they are the only serious alternative to slowing down plans on improved social services they will be accepted. The Singapore Government has also arranged with the aid of the International Labour Office for an expert to visit Singapore to prepare the framework of a scheme which would place part of the burden of the enlarged social services on the shoulders of those who enjoy them by means of statutory contributions.

Revenue for the 1955 *budget* has exceeded estimates as a consequence of the high price of rubber and the consequent rise in business activity, which had, by mid-year, added approximately M$2 million to revenue from import duties on liquor, petrol and tobacco. Income tax receipts are often two years behind, and were, in fact, below the estimates at mid-year. However, in view of the over-estimation of public-works expenditures, the actual budget deficit for 1955 may be less than was expected.

The cost-of-living index showed a small decline during the first seven months of 1955, and it was obvious that the increased rubber price was not having the immediate inflationary effect it had in 1951-52; the imposition of the anti-inflationary cess in June 1955 seemed to have helped the situation further.

BRITISH BORNEO

Despite their obvious differences in wealth, the two Crown Colonies—North Borneo and Sarawak—and the State of Brunei have some similar economic problems. Traditionally the area has looked towards Singapore as its entrepot, although Sandakan in North Borneo, with its timber trade, has been

1. The Cocos-Keeling Islands, important for their airfield and cable station, were ceded in 1955 to Australia.
2. A scheme to grow vegetables for Singapore in neighbouring Johore State has been delayed.

an outstanding exception. Today, with the letting of construction contracts to Hong Kong firms, with the scheduling of ships direct from Hong Kong to Jesselton and Labuan in North Borneo, Kuching and the Rajang River in Sarawak, and even to Brunei Town, Brunei, this traditional orientation is being modified. Income is based upon the export of primary products—oil, rubber, timber and pepper being the most important. The area's common economic problems are based upon the comparative vastness of the unexplored forests and hill country, the difficulty of communication, and the lack of training of the labour force.

As in Malaya, there is inter-territorial co-operation; certain governmental facilities are used and the cost is borne by more than one territory—the international airport at Labuan and the joint geological survey being examples. The territories are also co-operating in the subsidizing of a feeder air service which is owned and operated by a private Singapore-registered company.

Brunei

Brunei's estimated M$57.2 million budget surplus for 1955 and its favourable trade balance of M$174 million in 1954 were due almost entirely to the output of Seria oilfields, where, in 1954, an average of 14,340 tons of crude *oil* a day was piped to the refinery in Sarawak. Improvement in oil technology has increased the productivity of the field, and in 1955 there was a new oil find at Jerudong, the extent of which is not yet known. Prospecting is continuing, and two wells have been drilled on the off-shore continental shelf. To date no new discoveries have been made in North Borneo and Sarawak, but the Miri field in Sarawak, long past its peak, continues to produce.

Finance, then, is not one of the limiting factors in the economic *development* of Brunei. In 1953 M$100 million was set aside for development scheduled to extend over the period 1954-58. By the beginning of 1955 M$46.8 of this fund had been committed but only M$8.6 million had been spent, although further commitments were made during 1955 and the estimates called for a 1955 development expenditure of M$24.4 million, about three times the figure for 1954. The plan is, therefore, behind schedule, and it is now unlikely that it will be possible to complete the plan before 1960-62. The M$2.5 million Brunei airfield was nevertheless opened in 1954 to the British Borneo feeder service and light aircraft only; in 1956 this airfield will be ready for the regular Singapore-Borneo service.

One cause of the delay has been the difficulty of getting the equipment and the trained men to Brunei. The relatively slower speed of implementation of the development plan is not without its benefits, in that difficulties caused by rapid expansion and the spending of very large sums in a short period are lessened.

The immigration laws of the State remain strict, and personnel for the implementation of the programme is nearly all on a contract basis or on secondment from British territories.

Until the new oil find at Jerudong or some other oil find is proved, the programme is proceeding with due regard to the necessity of putting by adequate reserves to meet the increased charges which will arise when the various development services have been completed and have to be maintained as an annually recurrent charge. Emphasis in the present plan is, therefore, being placed upon economic projects, on which expenditure of M$14 million was scheduled for 1955—as compared with M$7.3 million for health, education, and social welfare. For 1955, income from the M$241 million worth of sterling investments and a further M$1 million of Malayan dollar investments was estimated at M$9.5 million or almost 25 per cent of annual non-development expenditure.

Agriculture remains the fundamental occupation of the people of Brunei.[1] Two-fifths of the rice consumed in Brunei is produced within the State, and one important development scheme calls for experimentation in mechanized rice growing in the fertile swamps. The goal, self-sufficiency in rice, is not yet in sight; much depends upon the success of the present experiments and land surveys. While there was no rubber replanting scheme in 1955, a 14 hectare nursery for replanting material has been started; plans for aid to rubber smallholders are expected to be implemented early in 1956.

There has been little *industrial development* in Brunei, despite the advantage of cheap waste fuel in the Seria area. An estimated M$300,000 was set aside in 1955 to assist the financing of small industrial undertakings. The cost of shipment is one problem which confronts Brunei's industrial planners, and the construction of a deep-water port at Muara, connected by a road system to all parts of the State, was under active consideration in 1955. Industrial development will of necessity be very slow. Efforts are now being concentrated on the traditional silver craft of Brunei, on apprentice-scholarship schemes, and on trade-school instruction —the last two schemes being undertaken at the oil company's Seria school. The Malay labour force is being used to the extent possible in development projects within the State.

1. Although the oil company employed an Asian labour force of 4,969 in 1954 compared with the employment of 1,702 labourers in public works and 422 labourers in rubber, and although its wage rates have affected wages throughout the country, attracting labourers from most of the *kampongs*, the direct influence of the oil company on the economy is otherwise limited.

TABLE 74

BRUNEI: EXPORT OF PRIMARY PRODUCTS, 1951-1954

	Thousand Malayan dollars				Percent of total			
	1951	1952	1953	1954	1951	1952	1953	1954
Crude oil	262,814	270,684	263,962	262,206	94.0	94.2	93.4	95.9
Rubber	8,037	3,785	1,699	1,181	2.9	1.3	0.6	0.4
Other main primary products[a]	987	1,164	1,057	1,073	0.3	0.4	0.4	0.4
Total main primary products	271,838	275,633	266,718	264,460	97.2	95.9	94.4	96.7
Other exports	7,804	11,845	15,875	9,017	2.8	4.1	5.6	3.3
Total exports	279,642	287,478	282,593	273,477	100.0	100.0	100.0	100.0

Source: State of Brunei, *Annual Report* for the years 1951-1954.
a. Comprising firewood, mangrove, jelutong, and natural gas.

North Borneo

North Borneo was the worst damaged of all the Borneo territories during the last war, and reconstruction has, up to 1955, taken the greater proportion of its funds available for capital expenditure. The limiting factors to *development* are the lack of engineers and trained junior staff, and of technical assistance, and the lack of knowledge of, and access to, certain regions of the territory. The 1955-60 Development Programme, revised in 1955 in the light of a new allocation of funds under the Colonial Development and Welfare Act, now calls for expenditure of M$156 million over the five-year period. As a conservative estimate, budget surpluses on current account will provide M$8.5 million towards development. Loans to a total of M$22.5 million are scheduled to be raised, of which some M$12 million may be raised in Malaya through the Employees' Provident Fund in the Federation and from Malayan banking institutions.

The revised plan has placed increased emphasis on economic, at the expense of social, projects. Additional projects have been scheduled in the agricultural field, notably by the Rubber Replanting Fund and the Credit Corporation, for North Borneo's rubber industry, like Malaya's, is in real need of capital investment. A 2 cent per lb. cess on rubber exports has been levied, and the present replanting scheme strongly resembles that in effect in the Federation of Malaya up to June 1955. The Credit Corporation was established in 1955 with the stated objective of granting credit and stimulating private investment in North Borneo by local and external capital.

Despite these heavy commitments, North Borneo hopes to be able to dispense in 1955 with the grant-in-aid from the United Kingdom, and exercise more local autonomy with regard to its financial policies.

Improvement of *transport* is an essential first step in the development of North Borneo. A sum of M$15 million has been allocated for the construction of access roads over the next five years. The present railway from Jesselton to Malalap will be improved at a cost of M$3.8 million, since the cost of building a road to serve the same area is considerably higher. The air feeder service, while it is important in higher. The air feeder service is important in assisting business men and officials to visit remote parts of the country, and some meat, tobacco, fresh vegetables and manufactured goods have been flown from the highlands to the coast with success, and, exceptionally, during the 1955 high-price period, rubber was flown from Ranau to Jesselton.

One of the more serious problems is the *labour* shortage. In part, this is countered by allowing contractors to import skilled workers from Hong Kong for specific projects, but these workers do not reach the rural areas or assist the rubber planters, and they are not permitted, under current immigration policy, to settle permanently. In August 1955 an agreement was reached with the Government of the Philippines under which Ilocano agricultural workers will come with their families to North Borneo on a three-year contract. At the end of this period they will, under present plans, have the choice of receiving either their return fare or a lump sum which will enable the family to buy land and settle permanently in North Borneo. It is not expected that more than 50-60 families will immigrate before the end of 1955.

Primary production is concentrated in rubber, timber, paddy, copra, and tobacco. The percentage value of primary exports attributable to rubber varies with its price, and is certain to rise in 1955. Exports in January-April 1955 were valued at M$11.7 million compared with M$6 million for the same period in 1954. Hong Kong is taking an increased percentage of North Borneo's rubber for local consumption and is the sole market for its firewood. The price for firewood has fallen since 1953, due to increased use of kerosene for domestic purposes, but the increased production of timber has partially offset this loss. The main timber markets are Japan, Australia, and Hong Kong, and the United States takes more than 50 per cent of the exports of cutch. The United Kingdom and other European markets receive the bulk of North Borneo's tobacco, hemp, and copra.

Sarawak

Diversification, a policy of all the territories in the area, has been successfully applied in Sarawak. This is due primarily to the mobility that small-holders, the typical Sarawak rubber-growers, have in shifting between various agricultural pursuits, but also to the importance of pepper and other main primary products—timber, sago flour, copra, jelutong, and petroleum. In 1952 the sum of export proceeds from pepper and other main primary products exceeded the proceeds for rubber for the first time since the 1920's; for

TABLE 75

NORTH BORNEO: EXPORT OF PRIMARY PRODUCTS, 1950-1954

	Thousand Malayan dollars				Percent of total			
	1951	1952	1953	1954	1951	1952	1953	1954
Rubber	86,194	39,099	23,378	23,963	75.8	62.0	38.8	31.0
Timber	10,184	8,282	12,314	17,437	8.9	13.1	20.4	22.6
Other main primary products[a]	14,200	12,831	12,911	23,369	12.5	20.3	21.4	29.0
Total main primary products	110,578	60,212	48,603	63,769	97.2	95.4	80.6	82.6
Other exports	3,130	2,888	11,058	13,464	2.8	4.6	19.4	17.4
Total exports of domestic produce	113,708	63,100	60,261	77,233[b]	100.0	100.0	100.0	100.0

Source: North Borneo, *Annual Reports* for the years 1951-1953; trade statistics for the year 1954.

Note: Figures relate to net exports.

a. Copra, firewood, tobacco, cutch and hemp.
b. Including re-exports.

1953 and 1954, pepper was the most valuable export crop. With the high price of rubber in 1955, rubber again took the lead. The changes in the relative importance of the various crops indicate a real trend in production rather than, as in the case of the Federation of Malaya, changes in the relative prices of the various products. (see table 76).

Rubber is almost entirely a small-holder's crop.[1] Export of rubber in 1954 totalled 23,000 tons, but in 1955 this figure had already been exceeded by the end of July, although there was indication that the 1951 peak of 43,000 tons would not be reached.[2] As calculated for the 1955 estimates, the export tax on rubber was scheduled to bring in M$9.75 million, of which M$7.5 million had been collected by the end of September. The increase in output has been achieved without "slaughter tapping", as the shift away from rubber production after 1952 had rested the trees. The effect of the shift back from paddy cultivation to rubber tapping will be reflected in the 1955/56 rice-crop statistics.

1954 was the peak year for *pepper*, with exports reaching 2,715 tons for white pepper, as against 12,750 tons for black pepper. The pepper plant, which takes two years to fructify, has been suffering from an as yet incurable disease which causes death within two to three months. The falling price of pepper and the consequent decrease in new planting may result in a considerable fall in value of pepper exports in 1955.

The *timber* industry has been expanding in Sarawak, and export for the first half of 1955 reached 149,000 tons as compared to 215,000 tons for the whole of 1954. Timber cargoes are loaded primarily at the Rajang River port of Tanjong Mani. In addition to a sum of M$261,000 already spent during 1950-54, M$690,000 has been allocated for forestry development during 1955-60, from the Colonial Development and Welfare Fund. This is for constitution of further demarcrated forests, to carry out further evaluation surveys, and generally to provide further data on which to base future management. The main timber producing areas are now covered by licenses, but considerable areas still remain. As these are surveyed and the necessary data obtained, further licences are issued.

Co-operative development has been encouraged and the movement had 9,451 members by the end of 1954. A co-operative central bank, with total assets of M$169,526 in August 1955, extends loans to member societies. However, the principal demand has been for investment outlets; while the bank's deposit liabilities then totalled M$124,646, its investments were M$68,600 excluding fixed deposits with local commercial banks.

Sarawak's *immigration* policy admits contract workers for limited periods, and these workers have provided the basis of the skilled labour force. Sarawak's own technical education programme is awaiting the report of a Colombo Plan expert.

Estimates for the 1955-60 M$99 million *development* plan call for an annual contribution from revenue of M$3 million. The increased revenues obtained in 1955 will alter this scheme and reduce the M$30 million which was scheduled to be raised by loans. Although Sarawak's original development plan was delayed by the 1951-52 rubber boom which sent the labour force back to the small holdings, in 1955 the plan was expected to proceed on schedule. The biggest estimated expenditure in 1955 was the M$6.6 million allocation for roads, an amount in keeping with the plan's stress on the importance of communications. A further M$3 million was scheduled for improvements in tele-communications, including aeronautical tele-communications. Reconstruction of the Bintulu airfield was completed in August 1955, and the Borneo service will be extended from Labuan, Brunei and Lutong down to Bintulu and Sibu where it connects again wth the Singapore-Borneo service. Of major importance to the commerce of Sarawak is the development of port facilities down-river for Kuching. The project, which is scheduled to cost M$5.8 million, was begun in 1955. Expenditures continue to be made for geological and agricultural surveys as being basic to the exploitation of the interior.

1. There are several sizeable estates, however.
2. Up to the end of October 1955 rubber exports had totalled 32,000 tons, and should be about 36,000 tons for the year.

TABLE 76

SARAWAK: EXPORT OF PRIMARY PRODUCTS, 1950-1954

	Thousand Malayan dollars				Percent of total			
	1951	1952	1953	1954	1951	1952	1953	1954
Rubber	158,865	65,182	31,616	31,087	64.7	38.8	19.7	19.0
Pepper	17,925	33,032	49,443	47,706	7.3	19.7	30.7	29.1
Timber	4,728	8,926	13,862	13,880	1.9	5.3	8.6	8.5
Other main primary products[a]	48,304	39,328	37,706	51,187	19.7	23.4	23.5	31.3
Total main primary products	229,822	146,468	132,627	143,860	93.6	87.2	82.5	87.9
Other exports	15,714	21,411	28,140	19,763	6.4	12.8	17.5	12.1
Total export of domestic produce	245,536	167,879	160,767	163,623	100.0	100.0	100.0	100.0

Sources: *Sarawak Annual Report* for the years 1951-1954; Department of Trade and Customs, annual statistics for 1954.

a. Sago flour, copra, jelutong, timber (sawn and logs), illipe nuts, and petroleum (net exports). Figures on net export of petroleum are obtained through substracting value of crude oil piped from Brunei from value of export of crude and refined petrolem.

Chapter 15. NEPAL

Nepal is an agricultural country with surplus production of food and raw materials, in normal years, to pay for its imports. Because it is landlocked, it depends on trade primarily with neighbouring India to meet its neds for essential consumer goods. In 1954, when production of food and other crops declined on account of floods, supplies were sent from India to relieve the emergency. The United States also helped.

In 1955 there was little improvement in the economic situation of Nepal. Prices in Nepal of such goods as cotton textiles, sugar, salt, kerosene, etc., remained high on account of heavy rains and floods which restricted further the limited transport facilities. Prices of Nepal's exports—jute, oil-seeds, paddy etc.—fell continuously. These price changes meant a worsening in the terms of trade and brought about a further depreciation in the Nepalese mohur in terms of the Indian rupee.[1]

Nepal has substantial assets in the form of mineral resources[2] and hydro-electric potential. Several power-development projects are under way, together with projects for the improvement of transport, irrigation and production. The major obstacles to development lie in the lack of finance, trained personnel and a modern administration. Some of these are being steadily removed through the inflow of external aid from India and the United States and the training of local personnel with United States assistance. The way to the elimination of others is pointed by proposals to establish a central bank, to reform the land system and to augment the government's financial resources.

With an area of 140,000 square kilometres and an estimated population of 8.4 million,[3] Nepal has an average density of about 60 persons per square kilometre.[4] With 60 per cent of its area under forests, it is rich in timber and other forest resources. About 10 per cent of its total area (or roughly 14,000 square kilometres) is cultivated, and another 15 per cent (or approximately 21,000 square kilometres) is available for extension of cultivation, which is largely dependent on the overcoming of malaria and installation of irrigation facilities.[5] The land system remains more or less feudal. A Land Reform Commission has been working for some years, however, and results may be expected over a period of time.

1. Consultative Committee on Co-operative Economic Development in South and South East Asia, *Fourth Annual Report*, Singapore, 1955.

2. Though not completely surveyed, the country is reputedly rich in copper, cobalt, iron, lead, zinc, manganese, mica, gold and semi-precious stones. The government has under consideration a mineral deposit survey with US aid. A deposit of limestone, for cement manufacture, has been discovered. The hematite iron ore discovered near Kathmandu, expected to contain 5 million tons of ore, is under investigation. Aerial, triangulation and geological surveys are under way and are expected to help supply the basic data for framing a development programme.

3. Pant Y.P.: 'Nepal's first census', *The Economic Weekly*, Bombay, 30 July 1955.

4. Average figures are deceptive. On account of unusual geographical and climatic factors, the density varies widely from 770 persons per sq. km. in the Kathmandu valley to 11 in parts of the *tarai* (plains). (*Ibid.*).

5. The remaining 15 per cent of the area is covered by Alpine meadows or perpetual snow.

CURRENCY STABILIZATION

The immediate problem that faces Nepal is the stabilization of its currency. Both the Nepali mohur and the Indian rupee continue to circulate with an exchange rate varying from time to time and place to place, though variations have been less marked since government action in April 1955, when the rate for the mohur is reported to have depreciated to 190 for 100 Indian rupees. In that month it was officially announced that the Nepal Bank, Ltd., would undertake the sale or purchase of Indian currency on the exchange rate fixed by the Government of Nepal; it would undertake to exchange Indian currency under its specified rules and exchange rate for the import to Kathmandu valley of paddy, rice, gram, pulses, sugar, salt, cotton and wollen thread, thread balls, medecine, unrestricted kerosene oil, petroleum, books, magazines, newspapers etc. The government officials who got salary in Indian currency in the districts where Nepalese currency was in circulation would be paid henceforth 50 per cent Nepalese currency at the rate of 150 Nepalese mohur per 100 Indian rupees. In the districts where Indian currency was in circulation the charges of railway, telephone, wireless could be paid in Nepalese currency at the rate of 125 Nepalese mohur per 100 Indian rupees.[6] These measures, while helping to stabilize the currency, do not quite solve the problem, for Indian currency is really interwoven with Nepal's fiscal arrangements, its commercial transactions and, in fact, the very life of the people. The population in certain parts of the country is migratory in character and has long been dependent on incomes from the armies of India, the United Kingdom and Burma. Gorkhali regiments continue to form an integral part of these armies and receive their pensions and salaries in Indian rupees. Thus an important part of the national income in Nepal is associated at the source with the Indian rupee. The government's finances are also based on the Indian rupee. Apart from Indian economic and technical aid, and the rupee balances on which the Government of Nepal operates, the Government of India gives Nepal a refund, not only of customs duty on goods imported through India, but also of excise on manufactures of Indian origin. Revenue from customs and excise, which formed more than one-third of the revenue receipts of the Government of Nepal in 1954/55,[7] is mostly derived from imports from or through India, and is paid in Indian rupees. The trade passes through the *tarai* (plains) area of Nepal and is transacted in Indian currency, which circulates in this area.[8] More than two-thirds of the land revenue (29 per cent of the receipts in 1954/55) is derived from the *tarai* in Indian rupees. Thus the currency and exchange difficulties are rooted in the very economy of

6. Press note of the Governmnt of Nepal, 18 April 1955. See also *Economic Survey of Asia and the Far East, 1954*, p. 158. Unless otherwise specified the rupee figures given in the chapter refer to Indian rupees.

7. Consultative Committee, *op. cit.*

8. This area has not only a surplus in food and raw materials, but also such manufacturing capacity as the country possesses: 2 jute factories, 2 match factories and 1 factory in each of the following lines: cotton textiles, sugar, cigarettes and plywood. It exports its surpluses (normally) both to India and to the valleys (of which Kathmandu is the principal) and the mountain districts.

the country. A preliminary step toward stabilization is taken through the proposal to set up a central bank in Nepal, whose principal object is stated to be to stabilize the Nepalese currency and fix its exchange rate, and to advance agricultural loans and assist in national development loans.[1]

ECONOMIC DEVELOPMENT

Owing to difficulties of finance and organization, the formulation of a development programme has been delayed. Lately,[2] however, the Government of Nepal has announced a Five-Year Plan, effective next financial year,[3] with an investment programme of Rs 210 million. The draft plan proposes to bring about economic development through industrial expansion, education and measures of social welfare, creating employment opportunities in the process.

While this draft plan has yet to be finalized, a process in which foreign collaboration is expected, the Government of Nepal has been, in spite of its many difficulties, devoting a fair amount of attention to economic development, especially transport and communications.[4] The government proposes to construct motorable roads linking the hill districts with the *tarai*. The construction of six longitudinal and two lateral roads is under way. The construction of the main highway (Tribhuna Raj Path) linking Kathmandu with the Indian frontier has been virtually completed, with Indian financial and technical aid, at a cost of Rs 25 million. As it passes through the potato-growing area, it will increase the export trade and income of Nepal and also open up the hinterland, reputed for its horticultural possibilities. It will also facilitate the flow of tourist traffic and help in the exploration of the country's mineral deposits. Permanent repairs for the 43-kilometres Amlekhgunj-Bhinphodi road leading to the Tribhubana Raj Path, which was badly damaged by the 1954 floods, are nearing completion at an estimated cost of Rs 6 million, financed by India. The government has also undertaken a programme of airfield construction, including the construction of a permanent, hard-surface airstrip at Kathmandu at a cost of Rs 2.5 million. It is also considering the setting up of a country-wide network of wireless stations, for geographical conditions make normal telegraphic communications difficult. Nepal has hardly any railways. The total length—127 kilometres of metre-gauge line—connects places on the Indo-Nepal border only.

Next to transport and communications, the greatest need of Nepal is the development of power and irrigation facilities. A thermal electric-power plant of 1,688 kW capacity has been set up in Kathmandu with a view to satisfying public demand and helping cottage industries. Preliminary work is being done on the 10,000 kW Trisuli Power Project, to be financed entirely by the Government of India at a cost of Rs 30 million. The Government of Nepal has also agreed to participate with the Government of India in the implementation of the Kosi Project, which would supply electricity to eastern Nepal. Spade work for carrying out the Rapti Valley multiple-purpose project (cadastral survey, irrigation and road survey) has been completed, and heavy equipment for the project worth Rs 5 million has arrived. The project envisages the irrigation of 12,000 hectares of virgin land, construction of an all-weather motorable road and 119 kilometres of flow-irrigation channel, eradication of malaria, rehabilitation of 3,300 families, etc. Under the Indo-Nepalese Minor Irrigation Project Agreement the Government of India has provided Rs 5 million to be spent in four years (1954-58) on minor irrigation works and drinking-water supply. Some of these schemes are scheduled for completion in 1956. The Government of Nepal is simultaneously building up its research facilities in agronomy, horticulture, etc. and, through its agricultural-extension and village-development programme, an organization to put the findings to good use. Most of these research schemes are being undertaken with financial and technical collaboration from the United States.

It is difficult to make out on the basis of present information the extent to which and the period for which the development programme in Nepal is being financed with foreign aid, but this aid is on all accounts considerable. The total economic aid so far granted by the Government of India beginning in 1951/52, is Rs 74.8 million.[5] The projects jointly undertaken with the Government of the United States are estimated to cost $244,000 plus 3.7 million in Nepalese currency. These cover a very wide field—agricultural research, fisheries development, mining, health, education, village development, small industries and the Rapti Valley multiple-purpose project. The technical and economic assistance received from the United States has, however, been larger than these joint projects, increasing from $287,000 in 1953 to $669,000 in 1954 and $723,000 in 1955. Nepal has also received aid from the United Nations and its specialized agencies, a notable instance being a resources survey undertaken by the Technical Assistance Administration. For 1956, a number of specialized agencies have programmes in Nepal costing about $185,000 in the aggregate. The governments of the United Kingdom and New Zealand have also helped Nepal by granting fellowships and scholarships. Besides development assistance, India and the United States gave emergency relief to Nepal in 1954 to the extent of Rs 10 million and $2 million respectively.

PUBLIC FINANCE

The Government of Nepal has been unable to finance its rising expenditure from current revenue. There is also no capital market in Nepal through which it can borrow.

TABLE 77

NEPAL: CENTRAL GOVERNMENT BUDGET, 1952/53—1954/55

(million rupees)

	Receipts	Expenditure	Deficit
1952/53 Actual	42.5	52.5	—10.0
1953/54 Revised	37.7	46.8	— 9.1
1954/55 Budget	43.6	59.5	—16.4

Source: Government of Nepal.

1. *Times of India*, 16 November 1955.
2. His Majesty the King's broadcast, 10 October 1955.
3. The financial year is from July to June.
4. This priority is determined by the topography of the country. With an altitude ranging from 300 m to 9,000 m, the transport of supplies is extremely difficult and communications are hazardous and costly to construct.
5. The break-down is as follows:

	million rupees
Tribhubana Raj Path	25.0
Gauchar airport	4.0
Minor irrigation and drinking-water supply	5.0
Aerial and triangulation survey	8.0
Scholarships	2.0
Trisuli hydro-electric project	30.0
Miscellaneous	0.8
Total	74.8

The budget deficit had risen from Rs 9-10 million in 1952/53 and 1953/54 to over Rs 16 million in 1954/55. It had been financed by external aid and drawing down of cash balances.

As shown in the 1954/55 budget estimates, three-fourths of the government receipts were expected to come from taxes, especially customs, land revenue and royalties from forests. Customs revenue had fallen because of import restrictions. There is no income tax and the *birta*[1] landlords do not pay land revenue, which would otherwise have added about Rs 8 million to the government's receipts. Proposals, however, are under consideration to levy an income tax and to assess revenue on *birta* lands. On the expenditure side, about two-thirds were taken up by administration and defence. Development absorbed about one-ninth.

TABLE 78

NEPAL: BUDGET ESTIMATE 1954/55

(million rupees)

Receipts		Expenditure	
Taxes	32.42	Defence	15.89
Customs	13.62	General civil administration	21.87
Excise	2.55	Development	5.41
Other taxes	0.39	Transport and power	1.79
Land revenue	12.48	Agriculture, forestry and fishery	1.76
Forest	3.38	Industry and mining	0.22
Fees etc.	0.86	Education, health, etc.	1.64
Net receipts of public enterprises	−0.80	Unspecified	16.36
Unspecified	10.57		
Total	43.57	Total	59.53

Source: Government of Neyal.

These public-finance statistics testify to an undeveloped economy with the treasury wholly dependent on a few indirect taxes and with defence and administration consuming practically the entire revenue proceeds. However, 8 per cent[2] of the total expenditure of public authorities (exclusive of foreign aid) in 1954/55 was devoted to development; with foreign aid, the proportion rose to 14 per cent. Within the present structure of public finance, there is hardly any scope for financing development on a larger scale; hence no substantial development is likely to take place without increased foreign assistance. The country is meanwhile getting organized for mobilization of its domestic resources. The main requirement for this, and in general the main need of the country, is a system of efficient public administration.

1. See *infra*, footnote 3.

2. Consultative Committee, *op. cit.* The percentage given here does not tally with that derived from table 78, namely 9 per cent, presumably because some of the expenditures on development are financed by external aid.

LAND REFORM

This point is well illustrated by experience in connexion with land reform. Within six months of its inception, the government announced the abolition of the *birta* system,[3] but it has not worked out the details, in spite of the fact that a Land Reform Commission has been working at this since 1952. Nevertheless, much has been accomplished. Personal services have been abolished and there is no compulsory sale of produce to landowners. Rent has been fixed at one-fourth of the gross produce. In Kalali, one of the *tarai* districts of Nepal, the cultivating owners have been declared as owners of land without payment of compensation. Actually half of the land, covering 6,300 hectares, has been so transferred and the whole process will be completed by 1956. The Land Reform Commission has recommended that cultivable waste in the *tarai* be utilized for new settlements of landless farming population with the help of such foreign agencies as the US Operations Mission, the Colombo Plan and FAO. There is neither a record of rights in the land nor a cadastral and topographical survey, both of which are essential to land reform. The Government of Nepal is therefore taking steps to fill up these lacunae.

CONCLUSION

Nepal, though possessing agricultural, mineral and water-power resources, is still an undeveloped mountainous country with little modern means of transport. Since the end of the feudal rule in 1951 the government has begun to build roads and airports, provide power and irrigation facilities, improve agricultural production and encourage small-scale industries. The country's development programme suffers, however, from lack of finance, trained personnel and a modern system of civil administration. External aid from India and the United States, fiscal reforms—including the preparation of a central government budget since 1951/52—and the establishment of schools and village-development centres are paving the way for development. The early establishment of a central bank would ,in particular, serve as a first step towards the alleviation of difficulties arising from the dual circulation of the Nepali mohur and the Indian rupee and the frequent fluctuations in their exchange rate. Currency stabilization is difficult, however, without expanded production and balanced trade, and for these the best reliance is on implementation of the government's development programme.

3. Of the lands in Nepal originally known as *raikar* (or Crown) land, certain parts were later given away by the *Ranas* to their followers and relatives as *birta* land to reward their loyalty. *Birta* lands are of two kinds: (a) rent-free or *maafi* land where the landowner does not have to pay rent by way of land revenue to the government, and (b) rent-paying lands paying nominal rent or land revenue to the government. Most of the lands are not cultivated by the owners themselves, but are leased out to occupancy tenants or tenants-at-will. Generally the tenant of a *birta* land enjoys occupancy rights which are heritable and transferable. Such occupancy tenants may sublet their land to sub-tenants known as tenants-at-will. The rent or land revenue is collected through non-official agencies such as *zamindars* in the plains areas and *talugdars* or *zimmawals* in the hill districts of Nepal. These non-official agencies receive a commission at a rate of about 5 per cent of the revenue assessment.

Chapter 16. PAKISTAN

The year 1955 recorded the country's continued efforts to step up economic development and to achieve stability in external trade and payments. Although industrial production expanded and the country approached self-sufficiency in a number of commodities, notably cotton textiles, the need for austerity persisted. The rate of net capital formation, roughly estimated to be around 5 per cent of national income, showed a moderate increase as reflected in higher levels of construction activity and imports of industrial machinery. A few projects sponsored by the Pakistan Industrial Development Corporation either started operation or reached an advanced stage of completion. External aid stimulated progress in basic development projects for power and irrigation. Public expenditure on development was kept at a high level which, together with the increasing inflow of external aid, accelerated the rate of development activities. The pace and magnitude of industrial development, however, intensified the demand for import of capital equipment and industrial raw materials, thus exerting severe pressure on the country's balance of payments.

Agricultural production needed further expansion, especially for export. As compared with the previous year, food production slightly deteriorated in 1955 because of heavy flood damage and consequent decline in the output of major food crops. The country was, however, able to reach the target for emergency food reserve and to declare over a quarter million ton of rice available for export. Among the major non-food crops, raw cotton production, despite an increase, did not yield an adequate export surplus, mainly because of increased domestic consumption.

Pakistan's balance of payments in 1954/55,[1] at significantly lower levels of both receipts and payments than in the previous year, recorded a small surplus as against a deficit in the previous year. The continuing fall in payments, made possible by absence of foodgrain imports, more than offset the decline in receipts. A steady expansion in domestic production and supply of manufactured commodities combined with restrictions on imports reduced the strain on the balance of payments through import substitution. Increasing domestic consumption of raw cotton, however, continued to exert pressure on the balance of payments by reducing the quantity available for export. Increasing world surpluses of cotton and disparity between internal and international cotton prices in the early months of the season, as well as the prospect of a large jute harvest and the anticipated fall in jute prices, tended to aggravate that pressure. It was essentially to reverse this trend of declining export earnings and to achieve a further improvement in the balance of payments, that the Pakistani rupee was devalued on 1 August 1955.

Prices moved downward mainly in response to increased supply of domestic consumer goods during the earlier part of the year. Adequate supplies of foodgrains and the prospect of sizeable imports under the US Economic Aid Programme also exercised an influence on prices and cost of living, which declined at all important centres. The decline in prices took place in spite of a considerable expansion in money supply and bank credit which followed the increased level of development expenditure in the public sector. After devaluation in August, however, prices of imported goods as well as of domestically-produced goods tended to rise, albeit moderately. Flood damage also lifted the price of foodgrains sharply in certain areas.

1. The trade year is from July to June.

DEVELOPMENT PROJECTS AND PROGRESS

The major emphasis in the SixYear Development Programme (1951-57) as well as in the Two-year Priority Programme (1951-53) is on "basic development", i.e. irrigation, transport and communication, fuel and power.[2] Despite the priority thus given to basic development, progress in implementation has been less marked in this sphere than in industrial development.

Irrigation

In East Pakistan, the first phase of the Ganges-Kobadak project, estimated to cost Rs 19.6 million and to irrigate an area of 101,000 hectares, has been undertaken with aid from the US International Co-operation Administration (ICA) and Canada. The Central Government has provided a development loan of Rs 13.7 million to finance the internal cost of the project. In West Pakistan the opening of the Kotri Barrage, commanding an area of more than 1 million hectares, marks a significant step forward in the development of agriculture. The irrigation phase of the Thal Development Project has been completed and 23,000 colonists have been settled on 125,000 hectares of reclaimed land. Preliminary work is also in progress on several other projects including the Upper Sind Barrage, the Taunsa Barrage, the Teesta Barrage and the Nari Bolan project. Apart from irrigation works in the 1955/56 budget, there is an allocation of Rs 20 million for the Agricultural Development Finance Corporation.

Fuel and power

At the time of partition, there was an installed capacity of approximately 61,000 kW of thermal power and 11,000 kW of hydro-electric power which has now expanded to 197,000 kW for the former and 63,000 kW for the latter.[3] In East Pakistan, diesel stations having a total capacity of 38,000 kW are in partial production. The Karnaphuli hydro-electric project, work on which is being expedited by $3.5 million of US aid, will have by 1959 an initial capacity of 80,000 kW which will double the existing electricity output in East Pakistan. In West Pakistan, a multiple-purpose project at Warsak, with an estimated generating capacity of 160,000 kW,

2. For allocation of expenditure to basic development under these programmes, see *Report of the Economic Appraisal Committee*, November 1952 (Ministry of Economic Affairs, Government of Pakistan), pp. 289-90 and 304.

3. *White Paper on the Budget of the Government of Pakistan for 1955/56*, p. 57.

is making satisfactory progress, the external expenditure on the project being financed by Canada. Work is in progress on another major project, the Mangla Dam, having an estimated generating capacity of 300,000 kW of hydro-electric power at an estimated cost of Rs 730 million.[1]

A substantial improvement in fuel supply is expected from the development of natural gas deposits at Sui (Baluchistan). Approximately 13,505 million cubic feet of gas per annum (roughly equivalent to 5.5 millioin tons of coal) will be available for industrial consumption, although actual utilization in the initial stages will be substanially less. The main pipeline from Sui to Karachi and the ancillary distribution lines have been completed ahead of schedule.[2] Natural gas has also been discovered in other areas of Baluchistan, the Punjab and the Sylhet district of East Pakistan. This latter discovery is expected to be of great importance to industrial development in the province, which is seriously handicapped by shortage of power.

Transport and communication

After partition, the seriousness of the deficiency in Pakistan's transport and communication system was keenly felt. The deterioration and inadequacy of the existing facilities and the geographic distance between the two zones of the country called for the development of airlines, in addition to the improvement and extension of roads, ports and railways. In view of the key importance of the railways in the national economy, high priority has been accorded to their rehabilitation and development. Initially, the Six-Year Development Programme had provided Rs 200 million for railways, but the magnitude of the problem necessitated an upward rivision during the Plan period. The 1955/56 budget alone provides Rs 145 million for the development of railways as compared with Rs 115 million in the previous year's budget. The most notable development in this field is dieselization, of which the first phase is expected to be completed in 1956. Two new railway lines—from Mardan to Charsodda (28 km) and from Sylhet to Chattack (32 km)—have been opened for traffic during the year under review.

Expansion of the handling capacity of the port of Chittagong, to be completed by the end of 1956, is at an advanced stage, with seven new jetties completed and opened to traffic. Attempts are also being made to develop the Chalna port, for which a sum of Rs 2.9 million has been set aside in the 1955/56 budget. A project has been undertaken to increase by 30 per cent the handling capacity of the port of Karahci by reconstructing the east wharves, at an estimated cost of Rs 70 million.[3] Road construction, although a provincial responsibility, was substantially assisted by the Central Government out of the Central Road Fund and the Fund for Roads of National Importance. Up to the end of 1954, the construction of 1,503 kilometres of new roads at a cost of Rs 28.9 million had been financed from these two funds while nearly 3,219 kilometres of additional roads at an estimated cost of Rs 133 million were under construction.[4] Various provincial schemes of road building are also in operation.[5]

1. *Pakistan News Digest*, 1 September 1955.
2. On 30 September 1955 a Karachi textile mill—the first industrial consumer of natural gas—was connected to the Sui gas pipeline.
3. *Progress of Economic Development in Pakistan* (Ministry of Economic Affairs), p. 29.
4. *Explanatory Memorandum of the Budget of the Central Government for 1955/56*, p. 87.
5. The East Bengal Government has undertaken a programme of constructing 1,200 km of roads at an estimated expenditure of Rs 75 million. The Government of Punjab has launched a programme of Rs 100 million on road construction.

The opening of the Pakistian International Airlines marked a significant development, and progress was made in technichal aeronautical devices at all airports in Pakistan. Under the US aid programme an American airline is providing technical equipment and technical assistance to the Pakistan International Airlines, for the development of which the Central Government will invest Rs 27.5 million by the end of the current fiscal year, and Rs 5 million in the 1955/56 budget.[6]

Community development

The Village AID (Agricultural-Industrial Development) Programme, introduced towards the end of 1952/53, was further expanded during the year under review. The programme is designed to increase efficiency of agricultural production, provide additional educational facilities as a basis for skill formation, improve health and sanitary conditions, and expand production of goods and services to meet local needs. Each area selected as a development area comprises about 150 villages, under the supervision of a development officer. At present work is in progress in 9 development areas. A five-year plan (1955/56 and 1959/60) has been drawn up, envisaging the extension of the programme to nearly one-fourth of the rural population at an estimated cost of Rs 200 million. A provision of Rs 7.7 million has been made in the 1955/56 budget to meet the Central Government's share of the expenditure.[7]

PRODUCTION

Agricultural production

Food production declined while production of major commercial crops expanded in 1954/55 as compared with 1953/54. In 1953/54 the area under food crops had increased by 10 per cent over 1952/53 while production was approximately 25 per cent higher. In 1954/55, however, the area and production of principal food crops were respectively 3 per cent and 10 per cent below the 1953/54 level.[8] Food supply in 1954/55 was, however, adequate for meeting domestic requirements and even provided an export surplus. East Pakistan, which had previously been a food-deficit province, succeeded in announcing an export surplus of 57,915 tons of rice in addition to building up an emergency reserve of 101,605 tons. In West Pakistan, Sind and two other areas declared an export surplus of 223,530 tons of rice. According to the final estimate of 1954/55, the area under rice was 9.5 million hectares as against 9.9 million hectares in the previous year—a decrease of 3.4 per cent. Production was estimated at 8.5 million tons as compared with 9.2 million tons in 1953/54.[9]

According to the final estimate, the area under wheat in 1954/55 declined by 1 per cent below the estimate for the previous year. Production showed a decrease of 15 per cent, from 3.6 million tons in 1953/54 to 3.1 million tons in 1954/55, owing to a substantial reduction in production in the Punjab, caused by drought and hail-storm damage. Other food crops, with one or two exceptions, showed a general declining trend with respect to both area under cultivation and volume of output.

6. *White Paper on the Budget*, *op. cit.*, p. 36.
7. *Ibid.*, pp. 48-49.
8. Significant declines in the per-hectare yields of the major food crops was largely the consequence of untimely rainfall and severe floods.
9. Expressed in terms of milled rice.

All restrictions on the movement, purchase and sale of rice throughout the country, except in border area, were lifted in November 1954. In January 1955, the export of rice on private account from West Pakistan was declared permissible, under certain prescribed requirements. In December 1954, restrictions on the movement of wheat and wheat products were also withdrawn throughout the country except the border areas. However, the policy of maintaining emergency reserves of foodgrains at the leading centres in the country was continued and considerable progress was made in expanding the grain-storage capacity. In West Pakistan, work on the construction of godowns having a capacity of 300,000 tons was completed, and work is in progress for raising the capacity by another 25,700 tons. In East Pakistan, food stores having a total capacity of 100,000 tons are under construction.

As compared with 1953/54, there was an increase in the area under cotton by 8.8 per cent and in production by 10.7 per cent in 1954/55. Domestic consumption was estimated at 800,000 bales[1] in 1954/55 as compared with 530,000 bales in 1953/54. Of the total supply of 1.7 million bales (which includes a carry-over of 90,000 bales from the previous year) 900,000 bales were available as exportable surplus in 1955 against the corresponding surplus of 1.1 million bales in the previous year. This reduced export availability of cotton on account of large domestic consumption, despite increase in production, accounted for a major decline in Pakistan's export earnings in 1954/55. The area under jute during 1954/55 was estimated at 464,000 hectares as compared to 304,000 hectares in 1953/54—an increase of 51.3 per cent.[2] The increase was primarily due to the relaxation of regulation of jute acreage by the Government of East Bengal. Production during 1954/55 rose, however, by only 8.2 per cent to 2.71 million bales,[3] as against 2.5 million bales in the previous year. The decline in per-hectare yield in jute cultivation was attributed partly to droughts and partly to flood damage.

The area under sugar-cane in 1954/55 was estimated at 408,000 hectares as against 389,000 hectares reported in the final estimate of the previous year—an increase of 6 per cent. Output of sugar-cane, however, registered a decline of 2.8 per cent—from 12.63 million tons in 1953/54 to 12.28 million tons in 1954/55. Area under tea was estimated at 299,000 hectares and production at 24,000 tons in 1954/55 as against 303,000 hectare and 23,000 tons respectively for 1953/54, the increase in production being attributed to favourable weather and increased use of fertilizers. With the exception of sesame seed, oil-seeds showed an upward trend both in area and production during 1954/55. The area under rape and mustard, for instance, increaed by 10.5 per cent in the year under review over the previous year. The corresponding increase in output was 19.1 per cent.[4]

Industrial and mineral production

Taking 1950 as the base year, the index of industrial production covering 17 major industries stood at 125 in 1951, 160 in 1952, 235 in 1953 and 285 in 1954,[5] the most notable increase among the major industries being in cotton textiles.

1. For cotton, 1 bale=392 lb=178 kg.
2. The preliminary estimate of area under jute in 1955/56 shows a further increase of 31.6 per cent over the 1954/55 estimate. See *Pakistan Trade*, August 1955, p. 45.
3. For jute, 1 bale=400 lb=182 kg.
4. Figure from *Statistical Bulletin*, June 1955, also from *Report on Currency and Finance, 1954/55* published by the State Bank of Pakistan.
5. *White Paper on the Budget, op. cit.*, pp. 15-16.

TABLE 79

PAKISTAN: INDEX OF INDUSTRIAL PRODUCTION, 1954
(1950=100)

Cotton textiles	447	Hydrogenated vegetable oil	275
Sugar	230	Leather uppers	573
Cement	163	Leather soles	384
Electric energy	273	Safety matches	904
Petroleum products	153	Steel ingots & steel re-rolling	269
Cigarettes	308		

Source: White Paper on the Budget of the Government of Pakistan for 1955/56.

Estimates of production for the year July 1954–June 1955 show a further rise in output, with a simultaneous increase in capacity, in almost all major industries, notably cotton textiles, jute manufactures, cement, paper and steel re-rolling.[6] The number of manufacturing establishments rose from 1,800 in 1953 to 2,571 by the beginning of September 1954. Formation of new industrial companies involving an authorized capital of Rs 268 million was sanctioned in 1954. During the first half of 1955, additional capital issues amounting to Rs 129 million were sanctioned for industrial companies. Industrial employment was estimated to have increased by 88,555 workers or by more than 10 per cent in first six months of 1955, mainly in textiles, industrial chemicals, glass and metal products. Machinery imports almost doubled from Rs 166 million in 1953/54 to Rs 319 million in 1954/55.[7]

The installed capacity of the cotton-textile industry stood at 1,565,552 spindles and 22,633 looms by the middle of 1955, as against 923,876 spindles and 14,484 looms a year earlier.[8] These figures, when compared with an initial capacity of 177,418 spindles and 4,824 looms at the time of partition, show striking progress in the cotton-textile industry of Pakistan. Production of cotton cloth increased by 26.2 per cent from 280 million metres in 1953/54 to 353 million metres in 1954/55. The output of cotton yarn recorded an increase of 74.4 per cent, from 33,000 tons in 1953/54 to 58,000 tons in 1954/55.

The progress of the jute industry was impresive. Jute manufactures increased by 92.8 per cent, from 40,149 tons in 1953/54 to 77,423 tons in 1954/55. The target of 6,000 looms which, originally, was to be reached by the middle of 1957, was expected to be hit in 1955. Further expansion of capacity by another 1,500 looms is under way. It was estimated that by the end of 1955 Pakistan would be producing 180,000 tons of jute goods annually out of which 50,000 tons would be absorbed by the domestic market, leaving a surplus of 130,000 tons available for export early in 1956. Private enterprise has played an outstanding part in the development of this industry, providing two-thirds of the total capital outlay of nearly Rs 170 million.

Among other major industries, significant progress was recorded in the paper industry. The output of different varieties of paper more than doubled from 9,485 tons in 1953/54 to 20,898 tons in 1954/55.[9] Production of cement increased by more than 10 per cent from 618,000 tons in 1953/54 to 681,000 tons in 1954/55.[10] The output of electric

6. *Report on Currency and Finance, 1954/55.*
7. *Ibid*, p. 20.
8. At this rate of progress the target of 2 million spindles will be reached ahead of schedule (middle of 1957).
9. Based on production figures of 11 months.
10. Based on production figures of 11 months.

energy increased by 17 per cent from 447 million kWh in 1953/54 to 504 million kWh in 1954/55.[1] Notable increases occurred in the production of crude petroleum, hydrogenated vegetable oil, sugar and cigarettes as well. In 1954/55, Pakistan also produced for the fifirst time about 18 tons of DDT, 873 tons of sulphuric acid and 89 tons of caustic soda.

The Pakistan Industrial Development Corporation sponsored in 1955 the establishment of a pilot newsprint plant, two new sugar factories (to be equipped with German machinery), a penicillin plant and a pharmaceutical products plant.[2] The corporation also signed agreements with German firms for the construction of an electric-motor and appliances manufacturing plant and a synthetic dye-stuffs plant at an estimated cost of Rs 9 million.[3] Oil prospecting at an estimated cost of Rs 200 million was undertaken under an agreement with the Standard Vaccuum Oil Company. Output of crude oil amounted to 264,000 tons in 1954 as compared with 240,000 tons in 1953. The fertilizer factory at Daudkhel (capacity 50,000 tons per annum of ammonium sulphate), assisted by the United States, was making satisfactory progress. The first phase of the scheme for establishing a ship-repair and ship-building yard at Karachi, scheduled to be completed by the end of 1956, was being implemented.

TRADE AND PAYMENTS

Balance of payments and devaluation

Although the 1954/55 balance of payments recorded a surplus of Rs 37 million on current account as against a deficit of Rs 28 million during the previous year, the level of Pakistan's foreign trade was the lowest since 1950/51. Payment declined from Rs 1,449 million in 1953/54 to Rs 1,303 million in 1954/55; this more than offset the concurrent decline in receipts from Rs 1,421 million to Rs 1,340 million. A steady increase in domestic production of import-competing commodities, notably cotton textiles, combined with rigid restriction of imports, and trading under the system of deferred payments contributed to the decline in payments. The decline in receipts was caused mainly by a reduction in the quantity of cotton exports.

Despite improvement in the balance of payments in 1954/55, the continuing fall in receipts presented a serious problem to which the decline in payments offered only a partial solution. To relieve the persistent strain on the balance of payments the Government of Pakistan decided to devalue the rupee from 1 August 1955, with a view to stimulating exports and reducing the propensity to import.[4] The effectiveness of this devaluation will depend mainly on its effects on the composition of Pakistan's foreign trade,[5] which is still dominated by exports of primary products (95 per cent) and imports of capital goods and industrial raw materials (70 per cent).

The gold, dollar and sterling reserves in June 1955 stood at Rs 696 million, showing an increase of Rs 87 million over those at the end of June 1954. The improved reserve position compared favourably with that existing at the beginning of 1954.[6] The rise was due to the current account surplus of Rs 37 million in the balance of payments reinforced by an inflow of Rs 50 million on capital account.

Another significant aspect of Pakistan's balance-of-payments situation was the improvement in the terms of trade, which stood at 83.5 in 1954/55 (average of three-quarters, July 1954 to March 1955) as compared with 72.8 in 1953/54 (July to June) (October 1948 to September 1949 =100). The terms of trade showed, however, signs of worsening after the devaluation in August.

Chart 25

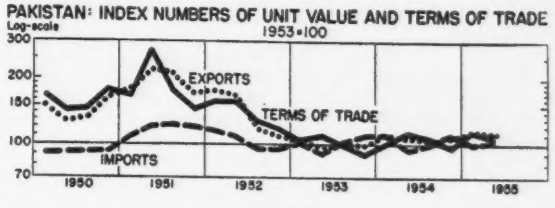
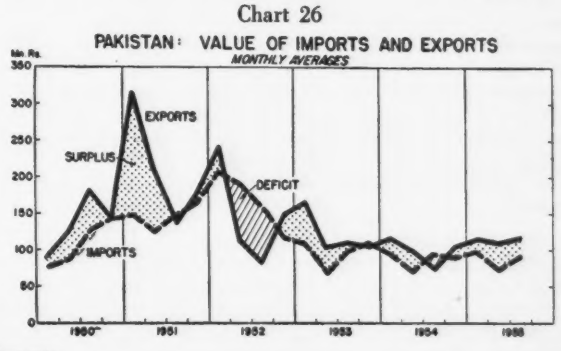


Chart 26



Exports

Among the major exports, earnings from jute increased slightly while those from cotton howed a significant decline. The 1954/55 jute season opened with an estimated carry-over of 1.5 million bales compared with 2.8 million bales at the beginning of the previous seaon. Jute exports at 5.1 million bales remained almost unchanged, as also export receipts at about Rs 590 million. Earnings from export of jute manufactures, though quantiitatively small, have been rising in importance, showing an increase of 50 per cent in 1954/55 over 1953/54. The sharp decline of export receipts from cotton from Rs 512 million in 1953/54 to Rs 343 million in 1954/55 was caused by a fall in the physical volume of exports rather than a fall in prices. Cotton exports declined from 990,000 bales in 1953/54 to 700,000 bales in 1954/55, as a result of larger internal consumption of raw cotton by the expanding cotton-textile industry. Cotton export prices, on average, did not vary significantly in 1954/55 as compared with the previous year. Of the total estimated supply of 1.7 million bales, the exportable surplus amounted to 900,000 bales in 1954/55 as against a corresponding surplus of 1:1 million bales in 1953/54.

1. Based on production figures of 5 months.
2. Investigation is in progress about the establishment of the Kot Adu Steel mill in association with Krupp of Germany. The present capacity of the steel industry is estimated at 150,000 tons per annum (*White Paper on the Budget, op. cit.*, p. 54) Newly-discovered iron-ore deposits at Daudkhel are estimated to supply 250,000 tons of ore to the projected plant which will have an initial capacity of 50,000 tons of crude steel, to be expanded to 300,000 tons.
3. *Quarterly Economic Review of Pakistan*, July 1955, p. 6.
4. The rupee was devalued from a par value of Rs 3.309 per dollar to Rs 4.762. This restored parity with the Indian rupee in place of the official rate of Pakistan Rs 100 to Indian Rs 144.
5. The Pakistan Jute Board has announced its decision to maintain the minimum sterling price of raw jute at the pre-devaluation level, thus neutralizing the price effect of devaluation on the export trade in that commodity.
6. Pakistan's gold, dollar and sterling reserves, which amounted to Rs 689 million on 1 January 1954, were reduced to Rs 631 million on 31 December. (*White paper on the Government of Pakistan Budget, 1955/56*).

Among other exports, hides and skins recorded a decline in earnings from Rs 43 million in 1953/54 to Rs 32 million in 1954/55, mainly due to higher domestic consumption and lower prices. Receipts from wool showed an increase of Rs 9 million. Raw-fool exports during the year totalled 9,600 tons against 8,800 tons in 1953/54. The rise in receipts from wool, however, was due only partly to increase in quantity of exports and partly to increase in prices. Earnings from tea increased sharply from Rs 34 million in 1953/54 to Rs 49 million in 1954/55, mainly because of an upward movement in prices. During the year under review exports amounted to 11,000 tons, compared with 10,000 tons in the previous year, owing mainly to the increase in demand from the United Kingdom, which is the leading consumer of Pakitan tea.[1]

Miscellaneous exports recorded a further rise and at Rs 131 million in 1954/55 were 78 per cent higher than in 1953/54. A considerable part of this rise was due to higher quantities of rice exports.

Efforts to expand and diversify exports continued during the year under review. The period of operation of the Export Incentive Scheme which had been introduced towards the end of 1953/54 was extended to September 1955. In order to promote exports, preferential treatment in the allocation of foreign exchange was given to exporters of certain primary as well as manufactured commodities, with a view to enabling them to import the needed materials and equipment, in the new export promotion scheme for the year beginning October 1955. Several new items were included in the O.G.L. (Open General Licence) list of exports, the number of freely-exportable items increasing from 137 to 308 at the end of the year. Export duties on hides and skins, jute rope and rice were abolished, and quality-grading schemes were introduced, notably in wool, tea and hides and skins. Rebate has been granted of import duty collected on materials used by industries manufacturing for export.

Imports

Government imports declined by Rs 235 million in 1954/55 below the previous year's figure, mainly owing to absence of foodgrain imports, while private imports increased by Rs 211 million during the correponding period, on account of rise in machinery imports. Since a large part of the increase in these imports in 1954/55 was under deferred-payments arrangements, it was not fully reflected in the balance of payments for 1954/55 which showed a decline of Rs 133 million on government import account but no significant variation on private import account.

Import policy, which had been slightly liberalized in the first half of 1954 following the improvement in the balance of payments, was again made somewhat restrictive afterwards, as a result of the deterioration in the payments position. The import policy for 1955 envisaged a big increase in the allocation of foreign exchange for imports of both machinery and industrial raw materials. Although US Commodity Aid contributed to an appreciable liberalization of imports, the bias in favour of imports of industrial requirements continued. An outstanding feature of the new import policy was the elimination of discrimination against imports from the dollar area, through licence issues on a global basis, with the exception of single-country licences for imports under bilateral trade agreements.

1. In 1954/55 Pakistan's tea exports to the United Kingdom amounted to 8,800 tons out of the total exports of 10,400 tons, against 8,700 tons out of a total of 9,200 tons in 1953/54 (*Report on Currency and Finance, 1954/55*, p. 170).

Bilateral trade and payments agreements

Thirteen trade agreements were ratified during the year under review. Most of these agreements had the specific objective of facilitating the exchange of part of the primary commodities to be received by Pakistan under the US Aid Agreement for manufactured goods from third countries.[2]

An agreement with Japan effective for one year from 15 September 1954 provided for trade valued at £56 million between the two countries. Exports from Pakistan were to include, among others, raw cotton, raw jute, chrome ore, hides and skins, gypsum and rice. Japan agreed to supply cotton piecegoods, rayon and other textile yarns, iron and steel and other metals, capital equipment and machinery.

A trade agreement was ratified for the first time with Yugoslavia effective for a period of one year from 15 May 1954; under this agreement, Pakistan was to import goods worth £3,098,000 and export goods worth £2,995,000. A trade agreement with the Federal Republic of Germany, valid for the period from January 1955 to June 1956, provided for exports of 20,000 tons of cotton and 80,000 tons of raw jute.

In April 1955, Pakistan signed agreements separately with the governments of the United Kingdom and Hong Kong, providing for total imports of cotton textiles and yarn worth $7.7 million. These imports were to be paid for in primary commodities made available to Pakistan by the United States. Similar agreements were also concluded with six other countries. A trade agreement with France remained in operation through the year under review. The trade agreement between Pakistan and Italy which had been extended for 6 months, expired on 31 December 1954. In May 1955, Pakistan ratified a trade agreement with Ceylon, under which Pakistan is to export rice, wheat flour, jute products, etc., and import natural rubber, coconut oil, copra, etc.

The deferred-payments arrangements, which had been negotiated for the first time with Japan in April 1953 to provide for the supply of capital goods with payments spread over a period of 5 years, were continued.[3] Exchange regulations provided for remittance of 10 per cent of the c.i.f. value of machinery on finalization of contract and a further remittance of 15 per cent on proof of shipments, the remainder being remittable in 10 half-yearly instalments.[4] In October 1954, imports of iron, steel and non-ferrous metals to the value of Rs 30 million were allowed, providing for remittances in three half-yearly instalments to start in January 1955.

MONEY, FINANCE AND PRICES

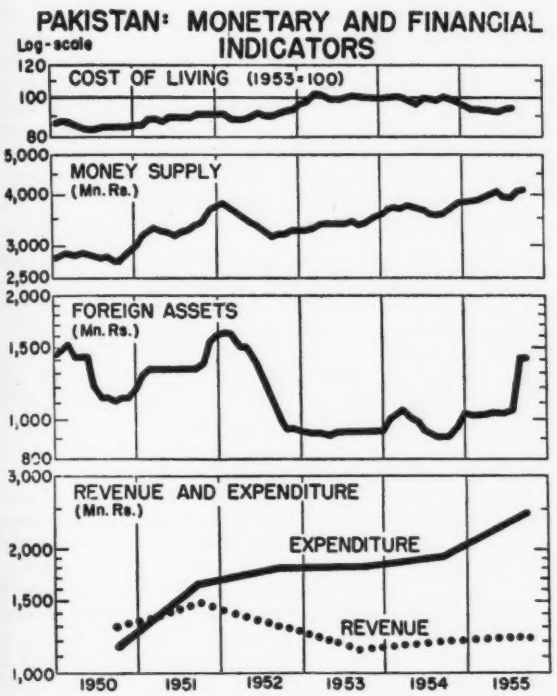
Money supply

Money supply recorded an increase of Rs 282 million from Rs 3,666 million in June 1954 to Rs 3,948 million in June 1955, compared with a smaller rise of Rs 218 million in the previous year. The increase in money supply, which was composed of a rise of Rs 185 million in currency circulation and of Rs 97 million in demand deposits, was mainly the reflection of a net rise in bank credit and an increasing development outlay by the government.

2. Under the Mutual Security Act, 1954 the United States Government offered $40 million in commodities on a grant basis and $20 million in commodities on a loan basis; under the Agricultural Trade Development and Assistance Act, 1954, $29.4 million assistance was offered in agricultural commodities on a sale basis and $10 million in agricultural commodities on a grant basis.
3. State Bank of Pakistan, *Report of the Central Board of Directors*, p. 23.
4. These regulations were extended to all other countries with which importers in Pakistan could enter into contracts of similar nature.

Total deposits of the Scheduled Banks increased from Rs 1,697 million to Rs 1,895 million during the year, that is, by Rs 198 million, compared with the rise of Rs 177 million in the preceding year. The upward trend in bank deposits reflected the influence of sizeable government disbursements inside the country. Bank credit recorded a net increase of Rs 95 million over the year which was mainly due to a higher level of business activity, growth in working capital requirements of industry and financing of food procurement and other State trading operations by banks. As compared with the net rise of Rs 133 million in the previous year, this apears moderate in the context of rising production levels and better business activity.

Chart 27



Price movements

During the earlier part of 1955, the comparative ease in the price situation, due largely to the abundance of food supply, expansion of industrial production and increased US aid imports of consumer goods, led to the relaxation of controls over the movement and distribution of a number of conumer goods. The improvement in supply was noteworthy in the case of the products of rapidly-expanding domestic industries such as the textile industry. The prices of indigenous cloth were progressively reduced by over 40 per cent during the year. In the case of imported consumer goods, though the increase in total supplies was not very substantial, the price level was influenced by the selective liberalization in import policy and the possibility of a sizeable supply of aid-goods from the United States. There was a general decline in the prices of foodgrains all over the country. The combined effects of low food and consumer-goods prices were reflected in the cost-of-living index of the working class which recorded net declines between June 1954 and June 1955 at all important centres: 3.7 per cent in Karachi; 4.3 per cent in Lahore and 1.1 per cent in Narayanganj. The price-situation became slightly unfavourable after the devaluation in August. The immediate effect of this devaluation was to push up prices of imported goods, except controlled prices. Domestically-manufactured goods also tended to increase in price. In addition, floods caused the price of locally-produced foodgrains to rise sharply, with consequent rise in the cost-of-living index.[1]

Government revenue and expenditure

The budget estimates for 1954/55 (at 1953/54 level of taxation) placed revenue at Rs 1,114 million or 5.3 per cent over the revised figure of the preceding year. Expenditure met from revenue was placed at Rs 1,113 million. The revised revenue estimates for the year were, however, placed at Rs 1,155 million, the improvement being attributable mainly to higher customs collection flowing from a larger volume of imports than previously expected. The rise in revenue was, however, more than counter-balanced by a sharp rise in expenditure on revenue account, caused by unexpected grants-in-aid of Rs 30 million to East Bengal and of Rs 15 million to the Punjab for flood relief. As a result of these and other increases, the revised estimates for revenue expenditure were placed at Rs 1,180 million, representing an increase of Rs 66 million over the budget estimates, thus leaving a deficit on revenue account of Rs 25 million.

In the capital budget, the total outlay was placed at Rs 881 million (revised estimates) against Rs 790 million in 1953/54. Direct capital outlay of the Central Government during the year was Rs 496 million, the largest share going to defence (Rs 160 million), post and telegraph and railways (Rs 147 million) and industrial development including fuel and power projects (Rs 129 million). The remaining capital expenditure of Rs 60 million was on civil works and the Federal Capital. Development loans to provincial governments were placed at Rs 290 million and other loans and advances amounted to Rs 16 million. Expenditure from the Reserve Fund was placed at Rs 79 million.

Revenue in the 1955/56 budget was estimated to rise from Rs 1,155 million in 1954/55 to Rs 1,190 million, without taking into account new taxation proposals. This estimated increase in revenue was derived from increased income, sales and excise taxes and earnings of public utilities. Expenditure on revenue account in 1955/56 was estimated to rise to Rs 1,204 million, of which defence outlay accounted for Rs 712 million as against Rs 641 million in the preceding year. This increase was due to the transfer of Rs 71 million to the revenue budget from the capital budget where there was corresponding reduction from Rs 160 million to Rs 89 million, leaving the over-all defence outlay met from the country's own resources unchanged at Rs 800 million. (An increase of Rs 80 million in defence expenditure, due to the re-organization of the defence services following receipt of US aid, was debited directly to the counterpart fund).

Capital expenditure for 1955/56, for developmental and non-developmental purposes, was placed at Rs 1,244 million. The provision for direct capital outlay of the Central Government was Rs 609 million. Excepting defence expenditure of Rs 89 million, this outlay was essentially developmental and was distributed over industrial projects (Rs 163 million), railways (Rs 145 million), civil works and federal capital

1. According to figures released by the Central Statistical Office, the working class cost of living index in September 1955 advanced by 0.9, 1.1 and 20.2 in Karachi, Lahore and Narayanganj respectively, as compared with August, 1955.

(Rs 74 million), fuel and power projects (Rs 41 million) etc. A provision of Rs 20 million for agricultural improvement covered an increase of Rs 20 million in the government's subscription to the capital of the Agricultural Development Finance Corporation. Dibursements on capital account also included a sum of Rs 495 million as development loans to provinces, States and local bodies.

The outstanding features of the pattern of revenue and expenditure over the last few years may be summarized as follows. There has been a considerable increase in revenue, derived almost entirely from internal sources. Total defence outlay (both revenue and capital) has been stabilized during the last three years at Rs 800 million (without correcting for outlay debited to military aid counterpart funds). Total development expenditure, including loans and grants to provinces and States, has risen steadily from Rs 149 million in 1950/51 to Rs 482 million in 1953/54 and Rs 1,148 million in 1955/56, so that the capital budget has for the first time exceeded the revenue budget. On the financing side, the importance of foreign aid and external borrowings has risen steadily while that of State trading has declined.[1] The contributuion of internal public debt to capital receipts has increased.

Budgetary policies designed to promote economic development included, in addition to sizeable developmental outlay, considerable tax incentives to encourage desirable investments in the private sector. A number of fiscal incentives granted in earlier years, which were to expire this year, were renewed for a further period, and in some cases their terms were liberalized. Several new concessions were also granted during the year. The tax exemption for five years on income derived from industrial undertakings was extended for a further period of three years. Initiail depreciation of plants and machinery which was admissible at 20 per cent was raised to 25 per cent. Tariff protection was given for a number of industries including the fruit-preserving industry, canvas-shoe industry, cycle-tyre and tube industry and diesel-oil-engine industry. The concessions offered to foreign capital seeking investment in Pakistan were continued and further enlarged. The original capital invested in approved industries after 1 September 1954 can now be repatriated in full, together with capital gains and profits ploughed back in such industries. Foreign investment in approved industries, except public utilities, was allowed up to 60 per cent of the share capital as compared with 49 per cent allowed before. Assurance for reasonable compensation and its full remittance, in the event of nationalization, were also given.

External aid

During 1954/55, there was a substantial inflow of external aid in the form of economic and technical assistance, mainly from the United States and the British Commonwealth countries. On the recommendation of the Heinz Mission, the United States offered during the fiscal year 1954/55[2] a total aid of $110.2 million out of which $60.0 million was for economic assistance, $5.3 million for technical assistance, $39.4 million in the form of surplus agricultural commodities and $5.5 million for emergency flood relief. Under the Colombo Plan, Pakistan received as economic assistance £4.66 million from Australia, $9.3 million from Canada and £1.10 million from New Zealand. Besides economic assistance, Pakistan also received technical assistance from these countries as well as from the United Kingdom, Sweden, West Germany, and the United Nations and specialized agencies under their regular programmes and the Expanded Programme. In addition, sizeable development loans were also secured during the year from the Export-Import Bank of Washington and from the International Bank for Reconstruction and Development.[3]

External aid from these sources made a significant contribution to the implementation of Pakistan's development programme, the major portion of the aid being absorbed in projects for the development of agriculture, irrigation and power. The US economic assistance (grants and loans) was utilized in a wide variety of fields including community development, road construction, fertilizer production, irrigation and power development projects.

Aid from the Commonwealth countries was utilized mainly in basic development projects. Australian aid was used for buying railway equipment and for other irrigation projects; Canadian aid, for the implementation of the Warsak multiple-purpose project, for electric-power generation and transmission, for cement production and for geological and oil survey. During 1954/55 Canada also provided $1 million worth of aluminium ingots and copper. Aid from New Zealand was utilized to meet the external cost of the Nari Bolan Irrigation Project and also to expand cement production.

External aid assumed added importance in the economic development of Pakistan, especially in view of the low rate of domestic capital formation and the magnitude of development expenditure. It has been estimated that from 1950/51 to 1954/55, foreign grants and loans contributed roughly 10 per cent of the total development outlay of Rs 4,200 million, the annual inflow increasing from Rs 180 million in 1951/52 to Rs 469 million in 1954/55.[4]

CONCLUSION

The year 1955 may be regarded as marking a turning point for the economy of Pakistan, with a more balanced pattern of economic development in view. Industrial development has reached a point from where it can be expected to make a substantial contribution to the economy, provided the demand for imports of materials and machcinery does not rise beyond the country's capacity to pay. However, the present rate of domestic capital formation is low and the balance of payments is under severe pressure. The outstanding problem, therefore, is to ease this pressure even at the cost of the pace of industrial development and shift the emphasis more to the relatively-neglected field of agriculture which continues to be the country's principal economic asset. Irrigation and land-reclamation projects, in which progress has been achieved, represent only the first phase of agricultural development, to be followed by projects designed to raise productivity. Improvement in the precariously-balanced food position and expansion of commercial crops, especially raw cotton, are basic needs. The more immediate problem, however, is to control the inflationary pressure which has been generated partly by devaluation and partly by natural catastrophes, so as to provide a favourable climate for the implementation of the new Five-Year Plan which has now reached the final stage of preparation.

1. Of the total capital expenditure of Rs 1,244 million, foreign aid will cover Rs 632 million in 1955/56 against Rs 138 million out of Rs 881 million in 1954/55 (revised estimates).
2. The US fiscal year is from July to June.
3. The International Bank announced on 22 June a loan of $13.8 million for the development of electric power in Pakistan. The borrower is the Karachi Electric Supply Corporation which will utilize the loan to finance the construction of 30,000-kW thermal power station in Karachi (*International Financial News*, 24 June 1955). Since then, Pakistan has received two more loans from the International Bank. The first, a 25-year loan of $14.8 million at 4 3/4 per cent interest to finance the foreign-exchange cost of the reconstruction of the port of Karachi and the second for $4.2 million at 4 5/8 per cent to the Karnaphuli Paper Mills.
4. The total foreign aid and loans during 1951-54 amounted to Rs 1,276 million. The amount actually expended fell short of the amount made available.

Chapter 17. THE PHILIPPINES

The economy of the Philippines, influenced to a considerable extent since the second world war by the special economic relationship with the United States laid down in the Bell Trade Act of 1946, is due to undergo a gradual but fundamental change as a result of the revision of that Act in mid-1955. While United States citizens still have equal rights in the Philippines, as before, in the exploitation and development of resources and in the undertaking of other business (Philippine citizens are to be reciprocally granted the same rights in the United States), the free-trade arrangement between the two countries is to be gradually eliminated. The gradually increasing tariff on US imports is expected to have a far-reaching effect on various aspects of the economy: government revenue, the pattern of trade, foreign and domestic investment in local industries and other matters.

During 1954 and the first half of 1955, while production continued to expand, a further deterioration in the terms of trade and a relaxation in import and exchange control brought about a marked fall in international reserves, with a deflationary effect on the economy. The deflationary trend appeared to be somewhat checked and international reserves increased slightly during the third quarter of 1955. The Central Bank is pursuing a more liberal credit policy with a view to encouraging private financing for economic development. Tax exemptions and liberal exchange allocations for raw materials and capital-goods imports have continued to provide incentives for private enterprise. Gross capital formation, which accounted for 8.4 per cent of gross national product in 1954, was slightly higher than in 1953, but capital formation in the public sector remained at the same level. The National Economic Council, the planning machinery of the government, is being revitalized, with a view to speeding up the reformulation and implementation of development programmes.

PRODUCTION

The gross national product at current price in 1954 stood at ₱8,454 million as against ₱8,229 million in 1953, representing a rise of 2.7 per cent. Deflated by the index of consumer prices, the gross national product at constant prices rose by 4.3 per cent during the same period. The combined index of the physical volume of productiion from agricuulture, mining and manufacturing, representing approximately three-fifths of the gross national product, increased by 11.1 per cent in 1954 over 1953. During the first half of 1955, the index of manufacturing production was 7.5 per cent higher than in the first half of 1954.

Agricultural production

Agricultural output continued to increase in the crop year 1954/55. The preliminary index of the physical volume of agricultural production, which includes agricultural crops, livestock, forestry and fishing, rose from 118 in 1953/54 to 122 in 1954/55 (1952=100), partly owing to various measures instituted by the government, including larger volume of agricultural credit on easy terms, completion of many irrigation and flood-control projects, dissemination of farming and livestock information, eradication of rats and other pests, and above all gradual restoration of peace and order in rural areas.

The production of *food crops*, with the exception of paddy, maize and Irish potatoes, showed a moderate increase in 1954/55 over the previous crop year. Owing to floods or typhoons in some provinces and drought in others, both paddy and maize production declined. The output of paddy was estimated at 3,105,000 tons in 1954/55 as compared with 3,182,000 tons in 1953/54. As domestic rice production was insufficient for domestic consumption and normal stock-piling, the government in July 1955 authorized the importation of 150,000 tons of rice. As of 6 September, 44,650 tons had been delivered. On the other hand, the output of other food crops, including beans and peas, peanuts, other root crops, fruits and vegetables, etc., rose.

Among *export crops*, tobacco production increased under government price support given to the production of Virginia leaf tobacco. The prospect of further increase in ramie production is good, owing to greater efficiency and increased technical knowledge in the processing of the fibre, and the government policy of substituting domestic products for imports. Abaca production has continued its downward trend of recent years but, with the establishment of the Abaca Corporation and the implementation of the abaca mosaic control programme under US aid, production is expected to pick up within a reasonable time. The ban on the export of immature nuts, introduced in April 1955, has resulted in a substantial rise in copra output. In June 1955, the Agricultural Credit and Co-operative Financing Administration (ACCFA) and the Philippine Coconut Administration announced plans to finance production and marketing of copra and other coconut products through co-operatives, and the President authorized the allocation of ₱30 million from the proceeds of bond sales to establish provincial centrals (mills).

It is reported that sugar production in 1955 amounted to 1.24 million tons, a decline of about 4 per cent from the previous year, attributed to poor weather in some planting areas and poor export prospects.

Construction

Figures for 1955 on public works expenditures for highways, bridges, ports and harbours and flood-control structures are not yet available. The value of new private construction activity, as measured in Manila and suburbs and 27 chartered cities, declined in 1954 by 14 per cent from 1953. Both residential and non-residential construction decreased, despite lower construction costs in materials and wages. In the first half of 1955 building construction permit

valuation in Manila maintained the level of the corresponding period in 1954. The Rehabilitation Finance Corporation suspended construction loans in the latter part of 1954.

Power

Power output of the Manila Electric Company continued to rise as a result of constantly increasing demand and expanded capacity. In 1954 electricity generated, at 700 million kWh, was 12 per cent above the 1953 level and 3 times the 1941 output. During the first half of 1955 it reached 375 million kWh, or 11 per cent more than in the corresponding period in 1954. In anticipation of greater industrial needs, Unit No. 4 of the Rockwell station, with a capacity of 32,000 kW, is under construction. Outside Manila, the National Power Corporation's Maria Cristina hydro-electric scheme (second unit) in Mindanao and the Ambuklao hydro-electric scheme in Luzon are scheduled to be completed in 1956.

Manufacturing

Manufacturing output continued to expand in 1954 and the first half of 1955. The index of physical volume of manufacturing production, taking 1952 as a base, rose to 127 in 1954 and 134 in the first half of 1955. The demand for local manufactures is increasing, partly as a result of the restrictions on the importation of competing goods. The increased availability of capital goods and raw materials, made possible by the liberal exchange-allocation policy of the Central Bank's Monetary Board, contributed substantially to the expansion in the productive capacity of local manufacturing industries. The ten-year tax-exemption privilege granted to new and necessary industries also stimulated local and foreign investment in those industries.

There were substantial increases in leather products, footwear and wearing apparel, rubber products, tobacco products and chemicals during 1954 and the first half of 1955. A marked increase in the importation of hides and skins and live animals augmented the availability of raw materials for leather processing. The continuing restriction on imports of cigarettes provided a market for the increased production achieved by local tobacco manufacturers. Output of manufactured food products in general increased only moderately, with substantial progress however in meat preparations and in the establishment of new dairy plants. Notable decreases in output were recorded for textiles, beverages and paper products (in the first half of 1955). The production of textiles has continued to decline since 1952; in the first half of 1955 it was 10 per cent below the first half of 1954, owing to keen competition from imports. Both domestic and imported textiles registered price cuts, along with falls in gross sales of spinning and weaving mills. The government is considering whether further restrictions should be imposed on textile imports.

In 1954 and the first half of 1955, production of durable manufactures rose faster than that of non-durable manufactures. The growing popularity of locally-made electrical appliances boosted their production. Output of metal products continued to increase.

With the growth of a favourable investment climate and in view of the progressively rising tariff under the revised Bell Trade Act, several United States manufacturers have begun to set up plants and factories in the Philippine. These include an oil-refining plant (by Caltex), pharmarceutical products, cosmetics and toilet-articles factories, refrigerator assembly plants, motor-car assembly plants, etc. A new tyre and inner-tube factory, to be built by the Goodrich Rubber Company of Manila, is expected to meet about half the country's needs and utilize as much as possible Philippine rubber.

Among the government projects recently announced are a pig-iron plant to be set up by the National Shipyards and Steel Corporation, for which ₱45 million has been appropriated, and a ₱10 million ramie textile mill which it is hoped will produce goods at half the price of cotton textiles.

Mining

Despite the subsidy,[1] gold production in 1954 (416,052 fine ounces) decreased by 13 per cent from the previous year and maintained in the first five months of 1955 the same level as during the corresponding period of 1954. The free market price weakened; in May 1955 it was ₱95 per ounce—the lowest since December 1949. While the Gold Subsidy Board is considering possible lines of action upon expiration of the subsidy in June 1956, some mining firms are contemplating switching over to base-metal production.

Productiion of chromite and manganese decreased substantially during 1954 and the first five months of 1955. Both higher costs and a weakening market accounted for this decline. Iron-ore production at 1.42 million tons in 1954 was 17 per cent above the 1953 figure, and for the first time in post-war years surpassed the pre-war record output. This high level of production was maintained during the first five months of 1955. The expansion of the Philippine Iron Mines is expected to raise the output further in due course. Copper production also increased during the same period. One new venture, Atlas Consolidated Mining, has recently started an open-case copper mine with a daily output of 4,000 tons of copper ore, with reserves estimated to last for 100 years.

TRADE AND PAYMENTS

The balance of payments of the Philippines deteriorated in 1954 (especially in the second half) and in the first half of 1955. International reserves of the Central Bank and other banks decreased from $307 million at the end of 1953 at $282 million at the end of 1954 and further to $258 million at the end of June 1955—a level lower than that in early December 1949 when exchange control was instituted. The reserve of the Central Bank fell sharply from $246 million at the end of June 1954 to $188 million at the end of April 1955, but recovered to $198 million at the end of August and stood at $192 million at the end of September 1955, on account of the tightening of import control in August.

The deficit on "goods and services account" rose from a little more than ₱100 million in 1952 and 1953 to ₱162 million in 1954, owing largely to a decrease in United States Government expenditures in the Philippines; on merchandise account alone, the deficit remained almost at the same level as in 1953. Meanwhile, owing to the settlement of a large amount of official long-term obligations, the outflow of long-term

1. See *Economic Survey of Asia and the Far East, 1954*, p. 170.

capital increased substantially. In the first half of 1955, the deficit on "goods and services account" amounted to ₱72 million, which was more than double that in the first half of 1954, this time because of an increase in the deficit on merchandise account to ₱153 million. The considerable increase in the trade deficit during the first half of 1955 was due mainly to the Central Bank's relaxation of exchange and import controls. US grants and credits increased slightly from $8.1 million in the first half of 1954 to $9.8 million in the corresponding period of 1955. The Central Bank had to purchase $10 million from the International Monetary Fund to meet the balance-of-payments deficit.

The balance-of-payments position in 1954 and in the first half of 1955 would have been less unfavourable had not the terms of trade deteriorated further. While the quantum of exports increased, along with the general increase in production, by 16 per cent in 1954 over 1953 and further by 15 per cent in the first half of 1955 over the corresponding period of 1954, the terms of trade worsened by 7 and 9 per cent respectively in the corresponding periods. This greatly impeded the country's ability to pay for imports and other requirements.

The chronic deterioration in the terms of trade is a serious problem for the Philippines. In fact, the terms of trade have never recovered the level reached in 1948, owing chiefly to the low level of export prices. Looking ahead, the prospects of the world market for major Philippine exports remain generally gloomy. From a long-term point of view, a diversification in the production and export pattern probably would be the most desirable solution.

Chart 28

PHILIPPINES: VALUE OF IMPORTS AND EXPORTS

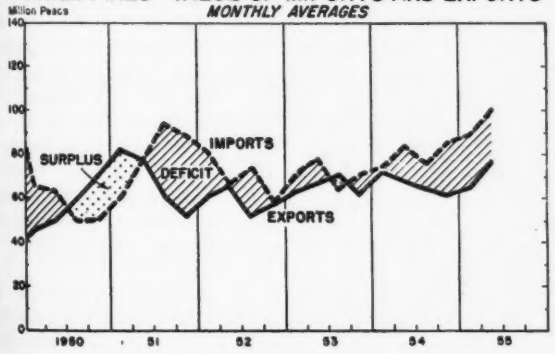
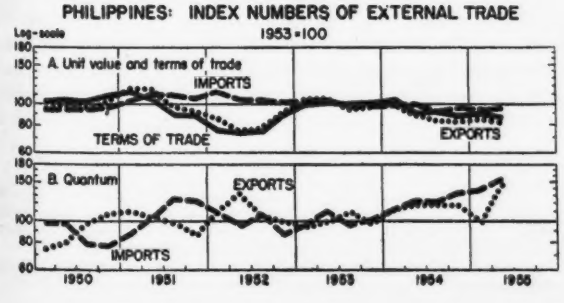


Chart 29

PHILIPPINES: INDEX NUMBERS OF EXTERNAL TRADE



Export of principal commodities

The following five groups accounted for 92.5 per cent of the Philippines' total export in 1954: coconut and coconut preparations (40.5 per cent), sugar and related products (27.2 per cent), logs, lumber and timber (8.8 per cent), minerals and metals (8.8 per cent), and fibres and manufactures (7.2 per cent). *Copra* accounted for almost one-third of the total export receipts in 1954. The price of copra suffered a heavy set-back in 1954—a 13 per cent drop from 1953. However, a one-fourth increase in the quantum of export more than offset the decline in prices and made possible an appreciable increase in export earnings. The decline in copra production in major export-competing countries, namely Ceylon and Indonesia, and the improved dollar position of consuming countries in western Europe helped the Philippines to extend its market in western Europe, especially in the Netherlands. During 1954, about 46 per cent of all Philippine copra exports went to north-western Europe, of which more than one-half was absorbed by the Netherlands. During the first half of 1955, copra exports amounted to 346,187 tons, or 5 per cent over the first half of 1954. Prices remained low. The biggest problem, however, is still the increased competition from synthetic detergents in the United States market. The latter absorbed during 1951-54 nearly one-half of the total copra exports from the Philippines.

Along with an increase in production, *sugar* exports also increased in 1954, totalling 869,000 tons, or 12 per cent more than in 1953. The total value of sugar exports also increased proportionally as the average export price of Philippine sugar remained nearly at the same level. For the first time since the second world war, Philippine sugar exports met in full the quota for the United States market and for domestic consumption, in addition to a reserve required by statute for carrying-over. The quota of 22,500 tons,[1] initially established under the International Sugar Agreement, was nearly fulfilled; the small shortage was due not to insufficient supply, but to obstacles in trading. Sugar export of 640,000 tons during the first half of 1955 was slightly higher than in the corresponding period in 1954; the average export price was, however, lower. In spite of a drop in the sugar crop in 1955, marketing remains the major problem. With the revised trade agreement between the United States and the Philippines now approved, Philippine sugar will have to start paying duty in the United States market as from 1 January 1956, although initially this duty will be applied to only 5 per cent of the quota. Request for a higher US quota, which could be negotiated under the revised trade agreement, is, however, unlikely to succeed, as American farmers are pressing for an increase in their own shares of the domestic market. The outlook in the world's free sugar market is also uncertain. The Philippines is increasingly looking for an outlet in the world's free market where, however, in July-August 1955 prices dropped below the minimum 3.25 US cents per lb under the International Sugar Agreement as compared with about 5.50 cents the Philippines could obtain from the US market. Recently, the International Sugar Council has allocated to the Philippines an additional quota of 20,000 tons for barter trade with rice. But even with this, the total free-market quota is expected to be substantially below the exportable surplus expected for 1955.

1. For disposal outside the US market.

Both the further decline in domestic productiion and the sharp fall in world price of hard fibres accounted for a decline in export earnings from *abaca* by nearly one-third in 1954. Export value of unmanufactured abaca thus fell from its usual third place (following sugar and copra) to fourth place, below logs, lumber and timber. During the first half of 1955, the export quantum of abaca was 16 per cent higher than in the corresponding period of 1954 but, owing to further decline in export price, export value was more than 6 per cent less. Market prospects have improved recently, especially because of increasing activity in Japan's ship-building industry which tends to raise the demand for hard fibres.

Imports and import policy

Owing mainly to liberalization of exchange allocation and more liberal bank credit accommodation for industrial and commercial purposes since the second half of 1953, imports increased substantially in 1954 when the total value reached a post-control record of ₱965 million, or 6 per cent more than in 1953. As the unit value of imports declined, the quantum of imports increased even more sharply, by 21 per cent. During the first half of 1955, the total value of imports, which amounted to ₱572 million, was 20 per cent higher and the quantum of imports was 25 per cent higher than in the corresponding period in 1954; the unit value of imports fell further.

TABLE 80

THE PHILIPPINES: IMPORTS CLASSIFIED BY ECONOMIC GROUPS, 1952-55

(f.o.b. value in million pesos)

	1952	1953	1954	Jan-Apr	
				1954	1955
Consumption goods	266	257	240	69	93
Raw materials . .	428	492	542	171	206
Capital goods . .	147	165	183	65	59

Source: Central Bank of the Philippines.

The relaxation of exchange and import controls aimed primarily at enabling producers to import as fully as possible their requirements of capital goods and raw materials. As a result, the increase of imports in 1954 was concentrated on capital goods and raw materials, and the import value of consumer goods was maintained at the previous year's level. Capital-goods imports accounted for 19 per cent and raw-materials imports for 56 per cent of the total import value. In late 1954 import control on essential conumer goods was also liberalized. During the first four months of 1955 both the absolute value and the relative proportion of capital-goods imports were appreciably lower, and those of raw-materials and consumer-goods imports higher, than in the corresponding period in 1954.

Changes in the direction of trade

A noticeable change in the direction of Philippine trade occurred in 1954 when the share of the United States in the total value of Philippine imports and exports decreased significantly and those of north-western Europe, Japan and other areas increased. The United States, while continuing to be the major trading partner of the Philippines, had its share in the total value of exports reduced appreciably from 68 per cent in 1953 to 60 per cent in 1954, and its share in the total value of imports from 77 per cent in 1953 to 68 per cent in 1954. The absolute value of Philippine exports to the United States also fell in 1954, as the mild recessionary tendencies in the United States late in 1953 and early in 1954 reduced the demand for foreign goods. On the other hand, the value of imports from north-western Europe almost doubled in 1954 and that of exports increased by nearly one-half. The increase in trade was particularly large with the Netherlands, West Germany and France. The industrial boom and the improved dollar position in most north-western European countries contributed to the increase of Philippine exports to that region. As a result of all these changes, the import surplus with the United States increased and so also the export surplus with north-western Europe.

During the first half of 1955, while the share of imports from the United States remained practically unchanged, that of exports to the United States almost recovered its 1953 position. Trade with north-western Europe remained at a high level.

MONEY, FINANCE AND PRICES

Public finance

Government revenue for 1954/55 at ₱766 million (revised estimate) was about 8 per cent higher than in the previous fiscal year, owing mainly to improved collectioins of excise, licence and business taxes and import duties, which together accounted for more than 85 per cent of the total revenue.[1] For 1955/56 the total government revenue is budgeted to increase to ₱827 million, or 8 per cent higher than in the previous year. The major portion of the increase is expected to come from larger revenue from import duties under the revised Bell Trade Act, which in the 1955/56 budget are estimated at ₱150 million as compared with ₱45 million in 1954/55 (revised estimate). The special excise on foreign-exchange sales has been extended twice, to the end of 1955. Beginning 1 January 1956, this tax, according to the revised Bell Trade Act, will be replaced by a special import levy on all imports at a uniform rate not higher than 17 per cent.

The revised figures show government expenditure in 1954/55 at ₱860 million, or 9 per cent over the actual account figure in 1953/54. Notable increases in expenditure occurred in "investment",[2] "other current expenditure", and "social services" (largely education). Budget expenditure more than doubled for intensification of agricultural services, improvement of economic and social conditions in rural areas, etc. The rise in social services expenditiure was largely the result of additional appropriations for new schools and for adjustments in the salaries of teachers and other school personnel. For 1955/56, total government expenditure is budgeted to

1. The rise in revenue from domestic excise taxes was due to increased tax collections on locally-manufactured cigarettes; the increased yield from the special excise tax on foreign exchange resulted from the increase in imports. The larger yield from licence and business taxes was also attributed to the increased importation of goods subject to advance sales tax.

2. Investment expenditures of government enterprises are not included under this category.

decline to P840 million, through the cutting down of "other current expenditures". Most other expenditures, especially social services, are budgeted for a slight increase.[1]

As a result of the larger increase in expenditure in 1954/55 and smaller increase in revenue, the budget deficit increased from P76 million (actual account) to P94 million (reviesd estimate). For 1955/56, owing to the expected cut in expenditure and expected increase in revenue, the deficit is to be reduced to P14 million. The expected gradual increase in the revenue from import duties under the revised Bell Trade Act is expected to contribute increasingly to the strengthening of the government's financial position.

Although the total outstanding public debt has increased, that for development purposes has increased more than proportionally and that for general budgetary purposes has decreased since 1953 except during the first half of 1955. During 1954, while the outstanding amount of non-development public debt declined by P64 million, that of development debt increased by P85 million. The development bonds floated in 1954 included a new series of public-works and economic-development bonds (P11.9 million), National Power Corporation bonds (P6.4 million) and an additional issue of Rehabilitation Finance Corporation bonds (about P59 million), a part of which was utilized for the purchase of outstanding Manila Railroad bonds from British holders.

During the first nine months of 1955, public debt increased substantially. Of the total increase of P200 million, P169 million was for development purposes, which consisted of Public Works and Economic Development bonds, short-term securities of the Agricultural Credit and Co-operative Financing Administration, National Power Corporation and Rehabilitation Finance Corporation bonds, etc.

TABLE 81

THE PHILIPPINES: MAGNITUDE AND COMPOSITION OF PUBLIC DEPT

(gross value in million pesos)

Outstanding at the end of period	Total	For development			For other purposes
		Total	National and local govts.	Government corporations	
1953 June	1,056	324	210	114	732
Dec.	1,072	369	209	160	703
1954 June	1,097	424	209	215	673
Dec.	1,092	454	222	232	639
1955 June	1,258	571	288	283	687
Sept.	1,292	623	326	297	669

Source: Central Bank of the Philippines.

1. The pattern of expenditure shows some slight changes from 1953/54 to 1955/56. While defence expenditure declined from 20 per cent of total expenditure in 1953/54 to 18 per cent in 1954/55 and 1955/56, investment expenditure (excluding capital outlays of government enterprises) has increased from 21 per cent in 1953/54 to 25 per cent in 1955/56. "Social Services" have continued to rank first, fluctuating from 25 to 27 per cent of total expenditure during these three years. "Other current expenditures" accounted for 22 to 23 per cent of the total, but are expected to fall to 18 per cent in the 1955/56 budget.

Credit and credit policies

There has been an appreciable credit expansion since mid-1954 in connexiion with an increase in foreign-trade activities, which arose mainly from the relaxation in import and foreign-exchange controls. The total amount of outstanding loans, advances and bills discounted of all commercial banks and selected financial institutions increased from P1,259 million at the end of June 1954 to P1,405 million at the end of June 1954. Most of the increase in such credit of commercial banks was for financing foreign and internal trade, which has normally accounted for about one-third of the total.

TABLE 82

THE PHILIPPINES: LOANS, ADVANCES AND BILLS DISCOUNTED BY COMMERCIAL BANKS AND SELECTED FINANCIAL INSTITUTIONS

(in million pesos)

Outstanding at end of period	Commercial banks	Other financial[a] institutions	Total
1948	511	173	684
1952	694	389	1,083
1953	773	463	1,236
1954 June	773	486	1,259
December	845	502	1,347
1955 June	854	551	1,405
September	871	..	..

Source: Basic data are from the Central Bank of the Philippines. For commercial banks domestic loans, advances and bills discounted are including as shown in *infra*, table 13, in the section on "Asian Economic Statistics".

a. Outstanding loans of Rehabilitation Finance Corporation, Agricultural Credit and Co-operative Financing Administration, Government Service Insurance System, rural banks and pawnshops in Manila.

In order to ease the monetary situation the Central Bank reduced the required reserve ratio of the total of cash, excess reserves, net foreign exchange holdings and specified securities to the total outstanding letters of credit of commercial banks from 70 to 50 per cent, revoked the requirement of a cash margin deposit of 80 per cent for letters of credit covering importation of luxury goods and reduced its rediscount rate from 2 to 1½ per cent in early 1954.[2] There were eight banks in 1954 and eleven in the first eight months of 1955 that availed themselves of central bank advances as compared with six banks in 1953. The total amount borrowed was not large. In fact there was an upward trend in the interest rates of commercial banks,[3] in contrast to the downward revision of the central bank discount rate. Owing to the absence of an organized bill market, the resort to their own financial resources abroad by branches of foreign banks in the country and the usually high reserve ratios of the commercial banks, there is relatively little scope for the use of re-discounting or interest rates as an instrument of credit control. What really induced banks to borrow from the central bank beginning 1954 was the decrease in their liquidity arising from their heavy import financing after the liberalization of exchange controls. The proportion of

2. See *Economic Survey of Asia and the Far East, 1954*. The rediscount facility is extended to commercial bills maturing within not more than 180 days.

3. The weighted average interest rate on loans, discounts and overdrafts of commercial banks rose slightly from 6.37 per cent in the fourth quarter of 1953 to 6.43 per cent in the corresponding quarter of 1954.

loans extended by the central bank to the Philippine National Bank, a government-owned commercial bank, declined from 85 per cent of the total loans granted by the central bank to other banks in 1954 to 27 per cent during the first half of 1955.

As a means of influencing the magnitude and structure of loans in an under-developed country, the establishment and operation of special financial institutions, with administrative assistance and financial suport by the central bank, appears to be more direct and effective than the use of traditional central bank instruments of control. In the Philippines, the loan structure has been significantly modified by the operations of special government-established financial institutions. The creation of the Agricultural Credit and Co-operative Financing Administration (ACCFA) and the rural banks has, to some extent, remedied the lack of agricultural-financing facilities offered by private banks to small farmers. The operations of the Rehabilitation Finance Corporation (RFC) have followed the government policy of financing economic reconstruction and development, with a recent shift of emphasis to industrial loans, and a reduction of real estate loans. The development of such special financial instiitutions has reduced the relative importance of commercial banks, for which the percentage of outstanding loans, advances and bills discounted to the total declined from 75 per cent at the end of 1948 to 63 per cent at the end of 1954. The amount of outstanding loans granted by special financial institutions increased from ₱486 million at the end of June 1953 to ₱551 million at the end of June 1955. While loans for agricultural and industrial purposes expanded, those for real estate, granted largely by the RFC for construction, contracted. There was a large credit extension of ACCFA, in small short-term farm loans, through 281 Farmers' Co-operative Marketing Associations.

In order to stimulate the extension of industrial loans, the Industrial Guarantee and Loan Fund was established at the beginning of 1953 in accordance with an agreement entered into between the Philippine Council for US Aid (PHILCUSA) and the United States Foreign Operation Administration (FOA).[1] Initially established at ₱10 million and with the Central Bank in charge of its administration and the execution of its guarantees, the fund will be used to guarantee approved loans of lending institutions up to 80 per cent of the principal and interest. Such loans must be granted for capital investment in small- and medium-size industries either for starting new business or for expanding existing facilities. During 1954, nine applications for guarantee were filed by the RFC, of which only four were granted, totalling ₱1,986,000; some of the others are still pending.

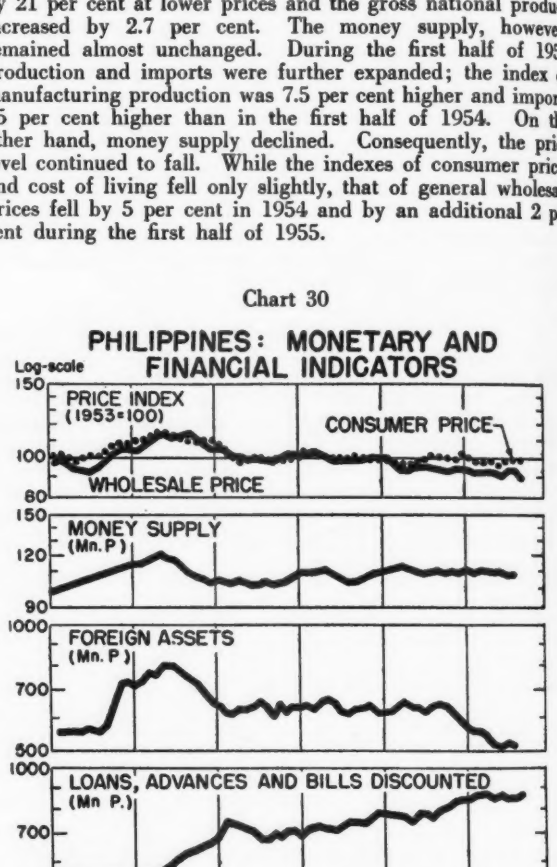
In order to render further help to retailers of Philippine citizenship and reduce the importance of aliens in this trade, two bills were passed in 1955, one constituting a ₱20 million retailers' fund and the other abolishing PRISCO and creating the National Marketing Corporation (NARMARCO) in its stead. The first law entitles small businessmen of Philippine citizenship legitimately engaged in retailing to borrow ₱5,000 each, payable in five yearly instalments. Unlike other credit assistance plans, this law does not require the borrower to put up as collateral real estate or other security such as banking institutioins customarily demand. The security required of the borrower is merely his store assets. The fund is to be deposiited with the Philippine National Bank and the Rehabilitation Finance Corporation, constituting a guarantee fund to back up losses which the bank may incur as a result of lending operations for the benefit of retailers.[2] The NAMARCO, with an annual operating capital of ₱1 million from budget appropriations, and the privilege of tax exemption, is to distribute certain kinds of goods to be specified to Filipino retailers at low cost.

1 Now International Co-operation Administration (ICA).

Money and prices

The price deflation trend continued to develop in 1954 and the first half of 1955. In 1954 the physical volume of production from agriculture, mining and manufacturing increased by 11.1 per cent, the quantity of imports increased by 21 per cent at lower prices and the gross national product increased by 2.7 per cent. The money supply, however, remained almost unchanged. During the first half of 1955 production and imports were further expanded; the index of manufacturing production was 7.5 per cent higher and imports 25 per cent higher than in the first half of 1954. On the other hand, money supply declined. Consequently, the price level continued to fall. While the indexes of consumer prices and cost of living fell only slightly, that of general wholesale prices fell by 5 per cent in 1954 and by an additional 2 per cent during the first half of 1955.

Chart 30



2. In other words, if the Philippine National Bank lends P5,000 to a retailer-borrower and the borrower defaults, the bank can make up its loss by charging the account to the retailers' fund.

The stable level of money supply in 1954 resulted from a balancing between the expansionary effect of an increase in bank credit and the contractionary influence of the deficit in the balance of payments, the government financial operations and the growth in savings and time deposits. Money supply declined by ₱37 million, or 3 per cent, during the first half of 1955. The factors mainly responsible for the reduction were the deficit incurred in international transactions, an appreciable increase in the cash balances of the national government, and a further growth in savings and time deposits. The contractionary effect of the above factors on the money supply was, however, partially counteracted by the expansion in domestic credits of the banking system.

ECONOMIC DEVELOPMENT PROGRAMMING

Both gross national product and gross domestic investment continued to expand in 1954, at slower rates of increases than in the previous year. The proportion of gross domestic investment to gross national product rose slightly in 1954. While investment in construction fell considerably, chiefly because of the decline in residential construction, that in durable equipment expanded appreciably from ₱212 million in 1953 to ₱250 million in 1954. However, despite the government's desire to speed up economic development by increasing public investment in irrigation, flood control, power, multiple-purpose water resources development, iron and steel, fertilizer, and other industries, gross capital formation in absolute terms in the public sector for the past four or five years has remained almost unchanged. The implementation of public development projects has been slow because of lack of financial resources and inadequate organization. The comparatively rapid expansion of private investment, on the other hand, may be explained by the encouragement given by the government through import and exchange control, the 17 per cent excise tax on purchases of foreign exchange from the central bank, tax exemptions on new and necessary industries, loan guarantees, etc.[1]

The expansion in private investment, however, is not sufficient to solve the unemployment problem, which is at present estimated at 1.6 million or more, in the face of an annual expansion in the labour force of 150,000 to 160,000. The draft Five-Year Development Programme, which aims at reducing unemployment from 15 to 6 per cent of the labour force, is awaiting through revision and approval.

Meanwhile, the President in May appointed a Cabinet Committee on Employment and Production to make recommendations for an immediate solution of the unemployment problem. The Committee presented "A Programme of Employment and Production Through Private Participation and Government Initiative", recommending a ₱1,000 million investment programme (without a definite time period) and policy measure needed for both carrying out the programme and speeding up economic development in the private sector. Out of this ₱1,000 million investment expenditure, ₱520 would be spent on government projects for land surveys and development, irrigation, rural roads and bridges, basic industries, etc., ₱380 million for an extension of credit facilities to the private sector and price support of certain agricultural products, and ₱100 million for financing the expansion of overseas and inter-island shipping facilities.

The programme takes into account the need for export promotion and for protection of domestic industries, with a view to correcting the imbalance in the country's international accounts. It proposes modification in the minimum-wage law[2] to keep the cost of production from rising, and establishment of several new financial institutions to provide greater credit facilities.

The programme is also pending for approval.

The country's planning machinery—the Natioinal Economic Council (NEC)—is being revitalized. It will co-ordinate all economic planning activities, formulate development programmes and recommend national economic policies to support the latter, for approval by the President and the Congress. It will co-ordinate United States and other external aid programmes and study general policies governing the use of external aid in relation to the country's development plan. It will define priorities in the allocation of funds, including the use of foreign exchange.

1. See section on "Investment policies and capital formation" in chapter 19, *Economic Survey of Asia and the Far East, 1954* and *supra*, section on "Credit and credit policies" in this chapter.

2. It is proposed that the government should not be bound by the mimimum wage rate when giving direct employment under the Programme and that for a period of 3 years provincial and municipal councils may suspend the law.

TABLE 83

THE PHILIPPINES: GROSS NATIONAL PRODUCT AND GROSS DOMESTIC INVESTMENT, 1948-54

(million pesos at current prices)

	1948	1949	1950	1951	1952	1953	1954[a]
Gross national product	6,369	6,333	6,852	7,656	7,830	8,229	8,454
Gross domestic investment:							
Private	631	468	381	397	425	512	541
Public	137	198	188	162	161	165	167
Total, of which:	768	666	569	559	586	677	708
Gross fixed investment	645	599	484	491	486	560	551
Durable equipment	194	194	133	142	160	212	250
Construction	451	405	351	349	325	348	301
Changes in inventories	123	68	84	68	100	117	157
Gross domestic investment as % of GNP	12.1	10.5	8.3	7.3	7.5	8.2	8.4

Source: Central Bank of the Philippines.
a. Preliminary.

One of the important functions and responsibilities of the Council[1] pertains to the submission to the Congress and the President of periodic reports, which will indicate the status of economic planning, the progress made in the implementation of approved plans and projects, and the need for legislation as well as changes in administrative organization and practices to facilitate the carrying out of the objectives of the development plan.

Japanese reparations may be available for developmental purposes; the question is now under negotiation with Japan.

REVISION OF THE BELL TRADE ACT

The Bell Trade Act of 1946 which has had a determining effect on the Philippine economy since teh end of the war was finally revised and the revision approved in mid-1955 by the congresses of both the Philippines and the United States. The revised agreement contains the following important features:

1. Tariff—From 1 January 1956 till 3 July 1974, the ordinary customs duty of the Philippines on United States articles and that of the United States on Philippine articles shall be applied at increasing rates until they reach the respective full duties. While the Philippine duty on US articles starts from 25 per cent of the full duty and increases steeply to 90 per cent in 1965, the US duty on Philippine articles starts from 5 per cent of the US full duty and increases to only 40 per cent in 1965. After 1967, the US duty on Philippine articles is to increase more rapidly than the Philippine duty on US articles.[2]

TABLE 84

THE PHILIPPINES: PERCENTAGES OF ORDINARY CUSTOMS DUTIES TO BE APPLIED UNDER THE REVISED TRADE AGREEMENT WITH THE UNITED STATES, 1956-74

Period	Philippine duty on US articles	US duty on Philippine articles
	(per cent)	(per cent)
1956-58	25	5
1959-61	50	10
1962-64	75	20
1965-67	90	40
1968-70	90	60
1971-73	90	80
1974-	100	100

1. The Chairman of the Council will have cabinet rank and will, therefore, be in a position to develop close association with department secretaries and defend the policy recommendations of the Council in cabinet deliberations. The Council will have eleven members including the Chairman and Vice-Chairman and three members to be drawn from outside the government. Through membership of the Governor of the Central Bank in the Council, the formulation of monetary policies will be co-ordinated with other economic policies as defined by the Council. The Rehabilitation Finance Corporation (RFC), with its interest in long-term development financing, will have a voice in the formulation of national policies through the membership of its Chairman in the NEC. Perhaps most important of all, Congress will have a direct representation in the formulation of national economic plans and policy recommendations through the inclusion on the Council of two members each from the House of Representatives and the Senate.

2. In the original Act, the percentage application of custom duties was equal for both countries as shown below:

4 July 1954—31 Dec. 1954	5 per cent
1955	10 per cent
1956-1972	increase by 5 per cent annually
1 January 1973	100 per cent

2. Temporary special import tax—The Philippines shall, beginning 1 January 1956, impose a temporary special import tax in lieu of the present tax on the sale of foreign exchange, irrespective of the source of imports. The initial rate of the tax is not to be higher than the present rate (17 per cent) of the exchange tax, and is to be progressively reduced after 1 December 1956 by 10 per cent each year until it is entirely eliminated after 1 January 1966. However, the Philippine Government need not reduce the rate or may reduce it at a lower rate than that scheduled above if the revenue from such tax on US imports falls below the proceeds from the exchange tax on such imports in the calendar year 1955.

3. US import quotas and tariffs on Philippine products—Absolute import quotas are applied to sugar[3] and cordage, and tariff-free quotas to cigars, scrap tobacco, coconut oil[4] and buttons of pearl or shell. The annual US import quota on Philippine goods is fixed at 863,000 tons for sugar, 50,800 tons for refined sugar and 2,720 tons for cordage. From 1956 to 1958, 95 per cent of such imports shall be free of US ordinary customs duty, and thereafter the percentages are to be gradually reduced until 1 January 1974 when such imports shall not be exempted from ordinary customs duty. From 1 January to 3 July 1974, such quotas shall be reduced by not more than one-half of the above-mentioned amounts. No US ordinary customs duty shall be imposed on the other stipulated Philippine products below the annual quota fixed: 200 million pieces for cigars, 2,940 tons for scrap tobacco, 203,200 tons for coconut oil and 850,000 gross for buttons of pearl or shell; but imports over and above these quotas shall pay the full amount of ordinary customs duty.

4. Import control—For protecting its domestic industries and safeguarding its balance of payments, reasonable quantitative import restrictions can be applied by either country, with advance notice and opportunity of consultation given to the other.

5. "Parity rights" of citizens in both countries—The right to engage in business in the Philippines by US citizens as stipulated in the original Bell Trade Act has been made reciprocal in the revised agreement.

6. Exchange ratio of the peso to the dollar—The article in the original agreement referring to the valuation of Philippine currency is repealed: the Philippines is no longer required to obtain agreement from the United States before changing the exchange value or suspending the convertibility of the peso, or before imposing restriction on the transfer of funds from the Philippines to the United States.

The revised agreement is more advantageous to the Philippines than the original. Besides the acquisition of parity right by its citizens to engage in business in the United States[5] and the repeal of the requirement for US prior approval on currency changes,[6] the Philippines also gains in tariff and

3. The quotas as scheduled for raw and refined sugar shall be without prejudice to any increases which the US Congress may allocate to the Philippines in the future.

4. The processing tax of two US cents per lb on coconut oil from Philippine copra is retained.

5. This gain appears to be only nominal, however, as the effect on the US economy of the undertaking of business by Philippine nationals in the United States is likely to be small, while the effect on the Philippine economy of the undertaking of business by US citiens in the Philippines is considerable.

6. The Philippines, being a member of the International Monetary Fund, is not in a position to change, freely and without limits, the exchange rate of the peso, even without the bilateral obligation to the United States under the original Bell Trade Act.

quota matters. While ordinary customs duties on each other's products would, according to the original agreement, increase at the same rate, the revised agreement makes it possible for the Philippines to increase its ordinary customs duty on US imports more rapidly than can the United States. Meanwhile, the Philippines secures the removal of absolute quotas on several of its products exported to the United States, leaving only sugar and cordage under absolute quotas. Rice is dropped entirely from quota restriction. The change from the exchange tax to a special import levy, which may be expected to result in a loss of revenue from the exchange tax now charged on non-trade payments, may be compensated by the slower rate of decrease in the special import levy over the comparatvely longer period scheduled for its existence than that planned for the exchange tax. The rapid increase in the customs duty on US imports, together with the special import levy, will help the Philippines to maintain government revenues, achieve a better balance in its international accounts and provide domestic industries with reasonable protection. The gradual shift from the uniform special import levy to ordinary customs duty will also help to unify the two taxes, simplify the import duty system and permit more selective effects by means of customs duties on imports. With the new tariff on US imports and the elimination of the exchange tax on outward remittances, American capital, it is expected, will be encouraged to invest in industries and other fields in the Philippines. With the gradual disappearance of the preferential trade between the two countries, Philippine trade with other countries is also likely to develop.

CONCLUSION

Although the imposition of import duties on US goods and the special import levy in lieu of the present exchange tax will help to improve the balance of payments, a long-term solution of the balance-of-payments problem probably requires a diversification of the country's export pattern, in view of the continuous deterioration in the terms of trade. The world market prices of major Philippine exports have remained low for a number of years and even during the Korean-war boom they did not show much increase. If the world demand for such exports is not promising, efforts to increase their production and export will not greatly increase export earnings. It may therefore be more desirable, in addition to encouraging import-substituting industries, to link export promotion with a programme of diversification in production, not only among the various fields of industry, but also within agriculture itself, in co-ordination especially with a land-settlement programme.

The recent increase in the issue of government development bonds, supported by the Central Bank, will make the country's financial resources more easily available for stepping up public investment. However, success in boosting capital formation in the public sector also appears to require more efficient and rapid implementation of the various development projects. For financing private investment, loans from government financial institutions are an important source and some reinforcement of their operations may be required.

Chapter 18. THAILAND

Of Thailand's total land area of 51.2 million hectares, forests occupy 29.9 million hectares while cultivated area accounts for 9.39 million. Area under rice is reported as constituting about 64 per cent of the total cultivated area. Over 50 per cent of the national income is derived from agriculture, forestry, fishery and livestock. As the country has been mainly dependent upon rice which accounts for 45-50 per cent of Thailand's total export earnings, a fall in rice exports such as was experienced in 1953-54 greatly affects the economic situation of the country. The need for a diversification of the economy had been felt for some time, but only since the fall in world demand for rice and since the shortage of foreign exchange became more evident in 1953 has there been a strong move toward the encouragement of other export crops, and toward promotion of selected industries, to help alleviate the shortage of foreign exchange. The government has also directed its import-restriction policy toward protection of home industries. Industrial expansion, however, remains hampered by lack of capital, enterprise, managerial and technical skill and cheap fuel. Locally manufactured goods will not have an assured domestic market until they can compete in cost and quality with imported goods of similar type.

DEVELOPMENT PROGRAMME AND PROGRESS

Although there is no over-all economic development programme in Thailand, there has lately been a linking of economic planning with budgeting of government investment expenditure for the purpose of making the best use of the limited financial and other resources available. This has become necessary with the fall in earnings from rice exports and the subsequent decline in government revenue, which coincided with demand for other government outlay, especially on defence. In 1953, the Economic Planning Committee, a subsidiary agency of the National Economic Council, was given the task of screening requests of various ministries for long-term investment appropriations before presentation to the Budget Committee. The committee's work has been advisory although most of its recommendations have been accepted and implemented. In the present economic situation the committee has given priority to quick-yielding projects and to those which are likely to help increase export earnings, and has recommended postponement of less urgent projects. In the meantime, strong efforts have been made both by the government and by private interests to secure foreign capital to supplement the funds required for high-priority investment programmes in mining and industry, and for basic facilities such as transport, irrigation and power.

Mining and industrial projects

For mining tin under the sea between Phuket island and the mainland, a company, called Aokam Tin Ltd., a joint British-Thai concern with a capital of M$7 million, was registered in Malaya. The Thai Government has purchased 45 per cent of the shares, and has offered 12 per cent of the total share issue for resale to the Thai public. A joint Thai-Japanese company has also started mining tin ore in Nasarn, Suratthani, in southern Thailand.

A mission, headed by the Minister of Industry, recently visited the United States and Europe to invite foreign capital investments in industrial projects. As far as the development of iron and steel industry in the country is concerned, a German firm is reported to have shown interest in undertaking the survey work and joint investment, and matters are now being negotiated.

On 21 October 1955 the Government issued a notification under the Industrial Promotion Act of 1954 outlining its policy on foreign investment in industries. It stated that investments in industries, whether Thai or foreign, can be made freely in any concern wholly Thai or jointly owned with foreign interests. The Government will not interfere in the normal operation of an industrial enterprise and will not give special privillege to any person or government organisation which is engaged in a similar business. The business activities listed as reserved for the state include only production of armaments (including explosives but excluding production of fire-works), cigarette production, railways, ports, and civil aviation within the country.

The industries for which prior government approval for operation must be obtained are production of spirits, beer brewing, public utilities (passenger transport, electricity, water supply, telegraph and telephone), mining and quarrying, forestry, banking, and insurance.

The Government also stated that it would not nationalise any industry. The industries which it will promote under the provisions of the Industrial Promotion Act are metal, sugar, and gunny bag manufacture of the sizes and under conditions as specified in the Royal Decree announced under the Industrial Promotion Act on 21 June 1955. By promotion here is meant aid which the Government may give to these industries in the form of reduction of or exemption from import duties on capital equipment required by the industry in its initial operation or expansion; exemption or reduction of income tax within a specified period; exemption or reduction of import duty on raw materials which have to come from abroad; exemption or reduction of export duty within a limited time when the products are exported, protection from foreign competition, facilities in remitting foreign exchange abroad in respect of capital repatriation or profits; immigration facilities for technicians or experts required.

When any particular industry wishes to request help from the Government under the provisions of this Act it must produce a satisfactory project to the Industrial Promotion Committee, assuring the latter that the industry is capable of producing articles competitive in quality and price with similar foreign products within the period of time which may be fixed by the Industrial Promotion Committee.

Power, irrigation and transport projects

Present installed *electricity* generating capacity in Bangkok and Dhonburi is approximately 67,900 kW,[1] but the demand for power in this area considerably exceeds the effective

1. Public Works Department.

capacity of the six power stations installed, as well as the capacity of the distribution system. The government is considering the installation of 10,000 kW generating capacity in a diesel generating plant and 30,000 kW in a new steam station at Nakorn Chaisri, though lack of finance appears to be holding up this scheme as well as the scheme for expanding the transmission capacity, substation capacity and distribution system.

The Yanhee hydro-electric project, the largest power project in Thailand, which originally aimed at a capacity of 360,000 kW, is now expected to develop 560,000 kW[1] (8 sets of 70,000 kW each) to supply not only the central provinces but also some provinces in the north-east. Initially 2 sets of 70,000 kW are to be installed at a cost of approximately US$58 million plus 400 million baht. Experts from the US Bureau of Reclamation have already rendered help in the preliminary survey work, and foreign capital is being sought for financing the project.

Electricity supply was extended to 10 more towns in 1954.[2] The Provincial Electrification Organization, an official body, has been able to secure British private capital for buying generators and equipment for the supplementing of existing and development of new generating-capacity in several rural areas. Meanwhile, the Lignite Thermal Power Project at Lampang in northern Thailand, which is planned to have a firm capacity of 15,000 kW, has been postponed by the government.

The Greater Chao Phya Project, about 160 kilometres north of Bangkok, which was partly financed by a $18 million loan from the International Bank for Reconstruction and Development and which will provide *irrigation* for 940,000 hectares of land in the central plain, is expected to be completed in 1959. Excavation work at the site of the barrage was completed in 1954 and the barrage itself is expected to be completed by the end of 1955. The Chao Phya river will be closed by mid-1956, and the barrage will be in operation by the end of that year. Gates at some of the headworks are still to be installed. Good progress has also been made on the construction of the network of irrigation canals.

The tank irrigation project in north-eastern Thailand, started in 1951, is progressing satisfactorily. By the middle of 1955, 79 such tanks had already been completed and 20 others were under construction. The combined total storage capacity of these 99 projects[3] is over 159 million litres. Eighty-six of the projects have a combined usable capacity for irrigation in excess of 154 million litres, and will benefit 36,200 hectares of irrigable land. The remaining 13 projects are for supply of drinking water only and have a storage capacity of 5 million litres.

In August 1955 the International Bank for Reconstruction and Development made a 15-year loan of $12 million (in various currencies) to the State Railway of Thailand, bearing interest of 4 5/8 per cent per annum including the statutory commission charge of one per cent. The loan is to finance part of the $68 million five-year investment programme designed to rehabilitate the physical properties, to improve the efficiency of the State Railway and enable it to handle increasing traffic. The loan is guaranteed by the Government of Thailand. The Bank of America is participating in the loan, without the International Bank's guarantee. to the extent of $1,105,000.[4]

The first loan of $3 million made by the International Bank to the government for the State Railway of Thailand in 1950 was for the purchase of urgently needed spare parts, workshop and signalling equipment, for which disbursements and work have been completed.

The closing date for disbursements under the International Bank loan of $4.4 million for the development of the Port of Bangkok has been postponed from the end of 1954 to the end of 1955. The maintenance, dredging and deepening of the bar across the Chao Phya is proceeding and much larger vessels have been coming up to Bangkok since January 1954, while the installation of equipment for the improvement of port facilities is almost complete.

The United States Government, through the International Co-operation Administration (ICA), is making available funds for the construction of 300 kilometres of highways in the north-eastern part of Thailand. Work on three bridges across the Chao Phya river has already begun.

The railway line from Udorn to Nongkai on the Mekong river, constructed with US aid, was ready for operation in September 1955.

PRODUCTION

Agriculture, forestry and fishery

In 1954 the area under paddy cultivation was 5.56 million hectares compared with 6.17 million hectares in 1953. The actual area harvested was only 4.52 million hectares compared with 5.93 million hectares in the previous year, owing to the short rainy season and the resulting drought. Paddy production in 1954/55 was estimated at 5.7 million tons, or 30 per cent less than the preceding year's.[5] The average yield per hectare continued on the downward trend of the last 50 years. To improve the yield the government is undertaking a rice seed improvement programme which involves experimentation and research on seed selection and cross-breeding, and introducing the use of artificial fertilizers.

From the current year's supply and the carry-over from the previous year an exportable surplus of only 1.3 million tons is expected.[6] Thailand, having since 1954 lost to Burma its temporarily-held position as the leading rice exporter of the region, will continue in second place in 1955.

The area under *rubber* has not varied much in the past five years. Production reached 119,574 tons in 1954 and is expected to be around 130,000 tons in 1955.[7]

In 1955 the government set up a pilot plant at Koh Hongs, Songkhla, in southern Thailand, mainly for the purpose of instructing rubber planters in modern scientific methods of making rubber smoked sheets and processing latex. The plant has a production capacity of 1,000 kg of smoked sheets and 100 litres of latex per day.

1. Irrigation Department.
2. National Energy Authority.
3. Ministry of Agriculture.
4. International Bank for Reconstruction and Development, Press Release, Washington, D.C. August 1955.
5. Figures supplied by the Rice Department.
6. Ministry of Economic Affairs.
7. Agriculture Department.

In contrast to rice, the production of *other crops* except cotton (which showed a decline in 1954) has been on the rising trend.

The production of *teak*, the most important export timber, reached 408,002 square metres in 1954.[1] The concessions granted to foreign teak lessees expire this year and it has not yet been decided whether they will be extended or what form the concessions will take. Production of *yang* (dipterocarpus alatus), the next most important timber, also increased from 258,682 square metres in 1953 to 291,035 square metres 1954.[1]

Fresh- and sea-water *fish* landed at the Bangkok wholesale fish market amounted to 43,855 tons in 1954 and 14,901 tons during the first half of 1955.[2] Originally only sea-water fish were landed here; but since November 1954 traders of fresh-water fish have also been required to use the landing facilities of this market. Canals, ponds, swamps, paddy fields and irrigation tanks provide good breeding ground for fresh-water fish. It is estimated that out of 577,500 hectares of such area, only 56,610 hectares have been stocked with fish.

Mining

In 1954, production of *tin*-in-concentrates totalled 9,932 tons, 357 tons less than in 1953, while production in the first nine months of 1955 amounted to 8,105 tons.[3] Nine mines closed down in 1954, while the number of mineral washing licensees also declined. This was mainly the result of the low prices prevailing in 1953, and although prices were firmer in 1954 miners did not think it sufficiently profitably to expand production. It is too early at this stage to gauge the effect on tin production of the recent abolition of the obligation to surrender exchange from tin export and the raising of the royalty rate[4] on 14 August 1955.

Tungsten production declined from 1,621 tons in 1953 to 1,104 tons[5] in 1954. Production of the government-owned mines in Pilok, Kanchanaburi was disrupted mainly by poor rainfall and the consequent inadequate water supply as well as by shortage of labour. Tungsten production in the first nine months of 1955 was 798 tons.[5] *Lead* production, on the other hand, increased from 7,960 tons in 1953 to 11,662 tons in 1954. For the first nine months of 1955 lead output was 11,612 tons.

Lignite mining at Me Moh, Lampang in northern Thailand started in 1955, and by the end of May 4,000 tons[6] had been mined. Production is estimated to reach 25,000 tons in 1955 and the target of 200,000 tons by 1958.

1. Forestry Department.
2. Fishery Department.
3. Royal Department of Mines.
4. This tin royalty is similar to an export duty payable to the government, of which 10 per cent refund will be made in case of tin produced for internal use.
5. Royal Department of Mines.

Industry

Production of *cement* has risen steadily in view of the ever-increasing demand of the building boom in both the private and the public sectors. The Siam Cement Company Limited put out 383,300 tons in 1954 and 320,768 tons for the first ten months of 1955. In June 1955 the company signed a contract with the US Export-Import Bank for a loan of $1.25 million, initially to finance the purchase of two diesel electric generators, one with a capacity of 4,000 kW to be installed at the Ta Luang Works, Saraburi, and the other with a capacity of 1,000 kW to be installed at Bangsue, Bangkok. Besides meeting its own requirements the company will sell some of the electricity generated to the government for supply to the general public in the neighbourhood of the works. The Ta Luang plant will supply electricity as far as the old capital of Ayudhya where there are several rice mills. The Export-Import Bank loan will also finance the purchase of equipment for raising the present output of cement from 35,000 tons to 50,000 tons per month.

The Irrigation Department's Cement Company, whose shares have been subscribed to by both the government and the general public, has not yet started operations.

The production of 8,983 tons[7] of white *sugar* from the two government factories in the 1954/55 season was 2,895 tons lower than that of 1953/54, and 4,270 tons lower than that of the peak year, 1952/53. In spite of the rising yield of sugar per unit of sugar-cane the output from these factories has been on the decline in the last three years because of inadequate supply of sugar-cane which is also needed by the private sugar mills for production of brown sugar. The government is planning to increase the capacity of these factories but the highly seasonal availability of sugar-cane and the cost of retaining labour during the idle period remain the major problems for the industry. In the meantime, a white sugar factory costing 125 million baht with a daily intake of 1,000-1,500 tons of sugar-cane is being set up at Cholburi by the National Economic Development Corporation, a government-supported enterprise, and is expected to start operating in 1956.[8]

The government has two *paper* factories, one in Kanchanaburi with a production capacity of 6-8 tons per day, and the other a paper-reclamation plant at Samsen, Bangkok with a capacity of one ton a day. Plans for improvement of production methods and expansion of the two factories are under way. A plant for reclaiming the soda which has already been used in processing pulp, with a view to reducing cost by 10-15 per cent, is being installed for operation by the end of 1955 at Kanchanaburi. A plant for manufacturing bleaching liquors by electrolysis of salt was also installed in 1955 at Kanchanaburi. At the Samsen plant new equipment is being installed to raise monthly production from the current average of 20 tons to 40-45 tons.

6. Lignite Thermal Power Organization.
7. Ministry of Industry.
8. A major portion of the white sugar locally consumed is imported.

In 1954 production of the two factories combined totalled 1,815 tons of low-grade writing and printing paper, and for the first quarter of 1955 it was 440 tons. Domestic production is still far short of domestic requirements. The National Economic Development Corporation is exploring sites for a paper factory with a production capacity of 50 tons per day.

The one government-operated *gunny bag* factory together with the two privately owned plants have a combined production capacity of 6 million bags per year (about 30 per cent of estimated requirements). The government's project to set up another plant for the production of 11 million bags per year has been taken up by the National Economic Development Corporation.

The installation of the government *aluminium sulphate* plant was completed and it started operating in April 1955.

Among other government enterprises are two small pilot plants established in 1954, one engaged in making *iron articles*, especially furniture, and the other in manufacturing *pins and paper clips*. In March 1955, an experimentation plant was opened for refining *crude oil* obtained from the Farng oil fields.

TRADE AND PAYMENTS

To understand the major development which have taken place in the trade-and-payments system of Thailand in 1955 events of the past few years leading up to these changes should be reviewed. Since 1947 Thailand has been relying mainly on a multiple-exchange rate system to regulate its balance of payments. Exporters of the main products, namely rice, rubber, and tin, have been required to surrender part of their proceeds at the official rate of exchange while importers buy their exchange in the free market at a rate much higher than the official rate.

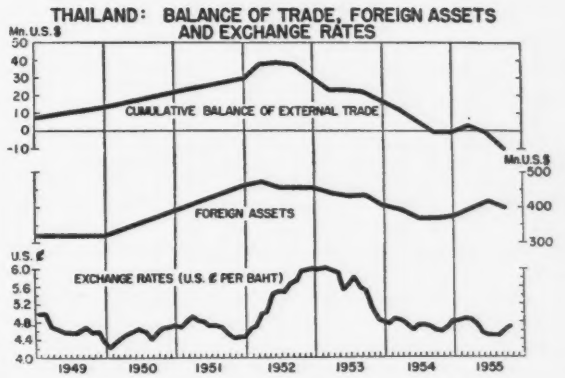
Through 1947-1951, especially during the Korean-war boom, the balance of payments of Thailand was highly favourable and in 1951, as a result of record rice exports of 1.6 million tons, the country had a trade surplus of $95 million.[1]

In March 1952, the government, with substantial exchange reserves, embarked on a programme of reducing the cost of living by appreciating the baht vis-à-vis the pound sterling through a reduction of the Bank of Thailand sterling rate for imports from 51 to 45 baht to the pound.[2] In 1953, dollars also were sold at a favourable rate for imports. These measures, coupled with a fall, for the first time in the post-war period, of export earnings from rice, resulted in a heavy drain on the central foreign-exchange reserves and a heavy accumulation of stocks of imported goods. The usual trade surplus was much reduced in 1952, and turned into a deficit in 1953.

In November 1953 the government tried to close the trade gap by introducing comprehensive import control, a system which had been abandoned in immediate post-war years because of difficulty in administration. However, in 1954 the trade deficit widened further to $28.3 million as high imports (although 7 per cent less than in 1953) coincided with a very big decline in exports (12 per cent lower than 1953).[3] Rice exports, which had reached the peak level of 1.6 million tons in 1951, were reduced to just over one million tons in 1954.

1. Bank of Thailand.
2. The free market selling rate for sterling in February 1952 was Baht 51.35 to £1.
3. Bank of Thailand.

Chart 31



In 1955, the government resorted to several measures to provide incentives for exporters. On 1 January 1955 it did away with the monopoly on rice exports and reverted to private trading. It abolished the system whereby millers had to sell to the Rice Bureau their rice which in turn was sold to exporters for foreign exchange at fixed standard prices;[4] and the previous practice of export on a government-to-government basis was also abandoned. Since then the government has merely supervised the quality of the rice exported and required exporters to surrender foreign exchange at the official rate according to fixed amounts for various grades of rice and pay premiums[5] in local currency to the government. The new surrender prices for the higher grades were nearly 50 per cent lower than the former standard export prices. The premiums were fixed at 400 baht per ton for whole rice and 20 baht per ton for broken rice.

This relaxation in rice export regulations was intended to introduce a larger measure of flexibility into the rice export trade of Thailand. Further liberalisation took place on 14 August 1955 where the government abolished the requirement to surrender foreign exchange from rice and tin exports. The premium rates payable by rice exporters were raised to 1,050 baht per ton for the best grade of rice and 300 baht per ton for the lowest grade of broken rice, in order to mop up some of the extra profits resulting from the change in the effective rate.

On the same date, the tin royalty rate was also raised. The price per picul (60.5 kg) of tin metal in Malaya, converted in baht, forms the basis of the announced price for the purpose of royalty collection. Prior to 14 August 1955 the rate of conversion used was the official rate of exchange (Baht 4.08 to M$1); since that date the rate has been at a nominal rate[6] (which was then Baht 6.53 to M$1) nearer the prevailing market rate. The price is then deflated to take account of the 72 per cent metal content of the tin ore normally produced in Thailand. The royalty rate is then levied under a sliding scale system, ranging from 10 per cent when the calculated price is less than 80 baht per picul, until price reaches 300 baht when the royalty is 94.50 baht. Amounts in excess of 300 baht are subject to a flat 25 per cent royalty rate. On 14 August 1955 it was decreed that 60 per cent of the royalty rate thus calculated should be payable to the government (Prior to this date only 50 per cent was payable). Thus, on

4. Foreign exchange earned by exporters over and above the standard prices may be sold by them in the free market.
5. Equivalent to an export duty.
6. For tax assessment purpose only.

the basis of the prevailing exchange rate, the royalty rate was nearly doubled. The actual current income of rice and tin exporters is however higher than before on account of the abolition of the surrender requirements, and the new system allows the government to adjust the premium and royalties more easily to changes in world price movements.

This process of export liberalisation became complete when the government on 15 September 1955 also abolished the requirement to surrender 20 per cent of the foreign-exchange proceeds from rubber exports and the export duty was placed under a sliding-scale system, varying from 5 per cent when the price[1] of rubber is less than 5 baht per kilogramme to 20 per cent when the price is 20 baht and over. Prior to this, export duty was collected at a flat rate of 7 per cent of the fixed standard price which was announced periodically. Export duties on a few minor products, such as beans, chillies, onions, fruits, edible oil, eggs and some kinds of fish, were also reduced.

On the import side it was found that quantitative import restrictions led to a large decline in government revenue from import duties, which is urgently needed for reducing the budgetary deficit. On 15 September 1955 the government abandoned import control on most items of merchandise and raised import duties on items which were considered inessential, such as canned food and alcoholic drinks. Duties were raised on some merchandise which could be produced at home, such as soap, leather goods, brushes and ready-made clothing, but reduced in the case of chemical and pharmaceutical products which are considered essential goods.

Import licensing now applies to items such as motor cars, sugar, matches, cement, paper products, cotton yarn, some types of textiles which may be manufactured locally, enamel-ware, tin sheets, sodium glutamate, fresh and cooked meat, fresh and preserved fruits, garlic, fans, etc.

By these measures it is hoped that government revenue will be well maintained and the trade balance kept within bounds, while the exchange structure is much simplified. The exchange rate will fluctuate according to demand and supply in the free market. The Exchange Equalization Fund which was set up in July 1955 from the funds available after the revaluation of currency reserves in March 1955 only aimed at evening out undue short-term fluctuations in the free market exchange rate. The relaxations in export regulations should also provide more incentives to exporters, especially if the new premium or export-duty rates are flexible and readily adjusted in accordance with world prices and domestic costs. The final outcome will, of course, depend on world demand for the main export products of Thailand, especially rice.

During the first nine months of 1955, rice exports already reached 1,016,000 tons[2] against 761,000 tons in the corresponding period and 1,004,000 tons for the whole of 1954. The liberalization of the rice export control system has given private traders more scope in negotiating their contracts abroad. Greater quantities were sold to the British territories and Japan which are usually the main buyers. The Philippine government also contracted to buy low-grade rice for vitaminization. During the first nine months of 1955, 57,000 tons had been exported to the Philippines. Similarly during the first nine months of 1955 exports of rubber and tin-in-concentrates reached 100,900[3] tons and 7,879[4] tons, compared with 82,987 and 9,561 tons[5] respectively in the corresponding period of 1954. Rubber prices have been very favourable in 1955.

For the first six months of 1955 there was a trade surplus of $12.3 million, which would have been $21.3 million except for imports of non-monetary gold.[6]

Aside from the developments discussed above, in April 1955, Thailand reached a settlement with Japan on the special yen debt pending since the second world war. The agreement calls for payment of Y5,400 million in pound sterling over five years and grants totalling Y9,600 million in investments and loans to Thailand.[7] The first instalment of nearly one million pound sterling was paid in August 1955.

In June 1955, the United States Government made available to the Government of Thailand a sum of $24.7 million, to be sold to importers for financing 13 categories of imports, mainly essential goods. The baht paid in by the importers will be deposited in a special fund to be used for financing economic development projects previously agreed upon between the United States and Thai Governments. The exchange rate used for baht payment by importers is similar to that used under the open account arrangement with Japan.[8]

On 21 June 1955, a Surplus Agricultural Commodities Agreement was signed between Thailand and the United States under which the United States undertook to supply Thailand, during the fiscal year 1954/55, with $2 million worth of tobacco in return for payment in local currency; $1.2 million of this amount will be reserved for US Government expenses in Thailand while the rest will be loaned for the promotion of multilateral trade and economic development. Strategic materials, services, or foreign currencies will be accepted in repayment of such loans.

On 8 July 1955, the Government of Thailand concluded a Customs Agreement with the Government of Laos under which each country agreed to provide free transit facilities for the other's imports. If certain "in transit" goods fall under the prohibition list of the country facilitating the transit, the government of the importing country will limit the amount of imports so as to meet its needs only, and will see that such imports are not re-exported to the country facilitating the transit. Products of Thai or Lao origin are accorded the most-favoured-nation traeatment by the parties to the agreement. Hitherto Laos has been procuring imports solely through Saigon, Viet-Nam; the opening of the new trade route through Thailand under the agreement will provide not only a new trade outlet for Thailand but also an extra source of income from the transport and handling charges involved. Moreover, the export of goods and services from Thailand, if payment is made in US aid dollars provided to Laos, will help to ease the present shortage of foreign exchange.

1. This price is announced periodically by the Customs Department for duty-collection purposes.
2. Exports from all ports from January to June and from Bangkok only from July to September 1955. The main port for both exports and imports (except rubber and tin) is Bangkok. Rubber and tin exports leave the country mainly from ports in the south, where the producing areas are located. These ports are Phuket, Songkhla, Kantang, Ranong, Narradhivas and Pattani.
3. Agriculture Department.
4. Royal Department of Mines.
5. Bank of Thailand.
6. Gold imports ceased from September 1955.
7. *Nippon Times*, 5 July 1955.
8. The dollar rate used under the open account arrangement is announced twice a month and is close to the market rate.

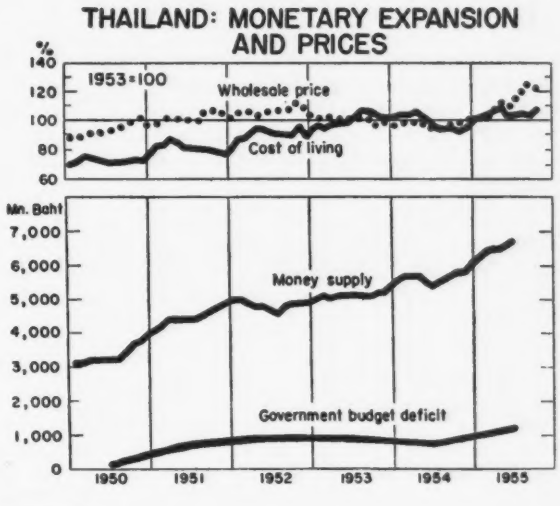
FISCAL AND MONETARY DEVELOPMENTS

The monetary situation in Thailand is closely tied up with the foreign-exchange situation. In 1950 and 1951 large balance-of-payments surpluses were the major factor contributing to the expansion in money supply. In 1952, the large sales of sterling and US dollars by the Bank of Thailand at preferential rates for imports were able to offset the expansionary effect of a substantial budget deficit. In 1953 and 1954 both the payments and budget deficits were large. The trade deficit as such exerted a deflationary pressure on the economy, but the fall in trade meant a decline in government revenue which is mainly dependent on foreign trade. At the same time large government expenditures resulted in increases in purchasing power in some sectors of the economy which in turn generated an active demand for imports. The very high level of non-monetary gold imports also meant an absorption of a great deal of exchange that could have been utilized for development imports.

The government needs foreign exchange both for backing the note issue (which, by law, requires 100 per cent reserves in gold or foreign exchange or securities payable in gold or foreign exchange) and for its expenditure abroad. The reduction of the amount of foreign exchange to be surrendered on rice export early in 1955 meant a big reduction of exchange resources accruing to the Bank of Thailand for the above purposes as well as the disappearance of the exchange profits accruing to the Bank which were used as an important source of funds for financing the government's expenditures. The revaluation of the currency reserves in March 1955[1] has enabled the government to obtain more domestic currency for every new unit of foreign exchange paid into the reserves. This measure, though a move towards the valuation of reserves at a more realistic rate, indicates that the note issue reserve is now being valued at a rate near the free-market rate instead of concealed foreign-exchange reserves being built up through under-valuation of the reserve.

Government expenditure abroad in terms of baht will be higher when government foreign exchange transactions[2] are eventually effected at the market rate. If the required foreign exchange is obtained from the market instead of the Bank of Thailand, some inflationary pressure will be exerted. This, coupled with pressure from sectors for government budget spending, will make the task of retrenchment more difficult. However, efforts are being made to increase government revenue to compensate for the loss of revenue which may occur as a result of the change in the exchange set-up as well as to keep pace with the growing demand for expenditure on development.

Chart 32



1. In March 1955, the Government changed the exchange rate used for valuation of currency reserves from Baht 12.50 to US$1, to Baht 20 to US$1. The rates for gold and sterling are similarly changed. Allocation of the reserves in excess of the note issue was made in July 1955; a sum of about 1,000 million baht was used to write off government debts and about another 1,200 million baht in foreign exchange was used to set up an Exchange Equalization Fund.

2. Up to now government expenditure in foreign exchange has been transacted at the official rate of exchange.

TABLE 85

THAILAND: MAJOR FACTORS IN MONETARY EXPANSION AND CONTRACTION, 1950-55

(Million baht)

	1950	1951	1952	1953	1954	1955 (First half)
Major factors for increase (+) or decrease (—) of money supply						
Balance of payments surplus on goods and services[a]	730	651	—211	—750	—772	32
Exchange profits[b] (—)	—	—427	—653	—532	—610	8
Government deficits	132	714	931	932	1,039	362
Increase in loans, advances and bills discounted of commercial banks	45	149	461	447	181	254
Net effect from major factors	907	1,087	528	97	181	656
Increase in money supply	860	940	25	506	620	618

Source: Bank of Thailand.

a. Dollar figures converted at baht 12.5 to $1, the official rate of exchange, up to 1954; and at the book rate (baht 20 to $1) of Bank of Thailand afterwards.

b. Represents mainly the difference between the favourable import rate and the official rate of exchange. It has acted as a deflationary factor in the sense that it is one means of absorbing excess purchasing power from the private sector (through commercial banks) to finance government expenditure.

In the first nine months of 1955, while the budget deficit was 571 million baht (compared with 1,039 million baht for the whole of 1954 and 583 million baht from January-September 1955), the note issue witnessed an expansion of 671 million baht.

Commercial banks' liquidity, which declined in the second and third quarters of 1954, has improved in the first half of 1955, and cash reserves in June 1955 stood at the level of 31.8 per cent of total deposits, compared with 16.4 per cent in June 1954, when it was at its lowest level. Loans and advances made by commercial banks have however increased by 254 million baht during the first six months of 1955. The proportion of loans and advances to total deposits at the end of June 1955 was about 98 per cent, at the same level as at the end of December 1954. This high ratio of lending has been apparent for some time but has become more marked since 1954.

Price movements have been on the upward trend, especially for food. The poor harvest in 1954, the change in rice export regulations and the increased demand for exports have caused an increase of 28 per cent in the domestic wholesale price of rice (15 per cent rate) between January and August 1955. The cost-of-living index during the first eight months rose 10 per cent while the wholesale-price index rose 19 per cent.[1]

1. Bank of Thailand, *Current Statistics*.

CONCLUSION

The foreign-exchange difficulties which had prevailed in 1953 and 1954 continued through the first half of 1955 and eased somewhat during the latter half of the year. The prospects for rice exports, which have been moving well thus far, still remain uncertain. The maintenance of an adequate level of rice export earnings will now depend on crop availability and trade outlets as the existing markets have been well explored. Qualities will have to be improved and prices will have to be competitive. Rubber prices present a brighter picture but their movements have been erratic, while tin prices have shown a firmer trend.

The recent changes in the trade-and-exchange system indicate that the country has again turned away from relying on quantitative restrictions to regulate its trade balance, and is taking a major step forward in relinquishing most of its multiple-exchange rate features. It remains to be seen whether the market rate will provide exporters with sufficient incentive to export, and whether the new export and import duties will maintain government revenue at the desired level. More attention will have to be given to the possibility of increasing income from direct taxation, especially by an improvement in the collection system. While the present resources which can be safely mobilized for economic development are very limited and great caution is needed in fitting development to available resources, it is only by judicious and sustained development policy that the present dependence on precarious external factors can be gradually reduced.

Chapter 19. VIET-NAM[1]

MAJOR PROBLEMS AFTER GENEVA AND PARIS AGREEMENTS

Under the Geneva Agreements of 20 July 1954, which brought to an end the war in the Indochinese peninsula, Viet-Nam was partitioned at the 17th parallel. Soon afterwards, in late December 1954, were signed the Paris Agreements,[2] abrogating the former quadripartite agreements between Cambodia, Laos, Viet-Nam and France.

Thus, with the end of war and the establishment of independence, the Republic of Viet-Nam, geographically known as South Viet-Nam, is turning a new page in history. Problems, new and old, are pressing for solution. Following closely partition came the influx of refugees from North Viet-Nam, which added to the problem of unemployment already existing in urban and rural areas (particularly in the Saigon-Cholon area). New arrangements, as provided for in the Paris Agreements, relate to customs, external trade, currency exchange, and monetary institutions.[3] This calls for rearrangement of the existing financial and business structure. Finally, there is the major problem of rehabilitating and developing the war-torn economy, deprived for the time being of its former industrial basis in the north.

Resettlement of refugees

During the latter part of 1954 and beginning of 1955, 820,000 refugees, including 660,000 civilian and 160,000 military personnel and their families, arrived in South Viet-Nam. Each person received a sum of Pr 700 in cash and was first given shelter in a school or other public building. The government had by September 1955 resettled 537,000 persons among 202 centres in different parts of the country as follows:

	South	Central	PMS[a]	Total
Fishing centres	2	9	—	11
Artisan centres	4	5	—	9
Agriculture and livestock breeding centres	128	41	13	182
Total centres	134	55	13	202
Total persons settled ('000)	436	74	27	537

a. Abbreviation of "Pays montagnards du Sud" or southern mountainous country.

Resettlement meant an average expenditure of Pr 3,000 per family of 5 persons by the government to build a house in a new community of from 2,000 to 20,000 people, in addition to the building material, also provided by the government. Also, funds are needed to finance purchases of chemical fertilizers, farming implements and draft animals for most of the refugees—those settled, primarily because of comparative accessibility, in the southern part of the country where land is often unproductive and calls for considerable capital investment. On the other hand, the southern mountainous country has fertile soil capable of providing a livelihood to about one million people. As rice cultivation is often not possible, sweet potatoes are planted to meet the immediate food needs of the settlers. New lands will be reclaimed later for tea culture (Blao and Pleiku areas), as well as for lumbering which provides a good source of income (Banmethuot and Dalat areas). The fishing and artisan centres, scacttered in the southern and central parts of the country, can, given initial help, prosper adequately by themselves.

For financing refugee settlement, the United States Government is providing Pr 1,452 million and the French Government Pr 251 million, thus helping to reduce the pressure on the government's budgetary and payments position.

Rehabilitation and development

In 1954 the government announced a two-year development plan for industry and a three-year development plan for agriculture. Implementation has only just begun. A team of experts from the United Nations Technical Assistance Administration was invited to review these plans and is currently in the country.

The agricultural plan aims at reviving the production of rice, vegetables and fruits in particular, increasing the production of rubber by a replanting programme, and using the surplus labour made available by the influx of refugees.

The objectives of the industrial plan are to reconstruct the industry destroyed by the wars between 1940 and 1954; to support programmes for increasing the production of goods which will reduce import requirements; to stimulate industries requiring light equipment and having a high labour content; and to emphasize a programme for the production of electric power.

Aside from the dislocation of the country's economy arising from the 15 years of war, the chief difficulties encountered by the Republic of Viet-Nam in its effort to implement the foregoing plans have been lack of finance and trained personnel, especially managers and entrepreneurs. Domestic capital, heretofore mainly invested in commercial enterprises, has to be re-channelled into development: it is also insufficient in quantity to finance the reconstruction of the country. The government has, however, announced a policy of promoting industrial and commercial enterprises that will contribute towards raising the economic potential of the nation. The National Investment Fund was created in January 1955 with the purpose of helping industrial enterprises by subsidies, loans and advances. In August the government took preliminary measures to finance it with Pr 200 million. Also, the Agricultural Credit Institute was created on 25 April 1955 to finance the cultivation of land abandoned during the war.

1. This chapter deals with the year's economic development in south Viet-Nam, the post-partition (from July 1954) territory up to the 17th parallel, which now constitutes the Republic of Viet-Nam. In pre-partition statistical sources, Viet-Nam meant North, Central and South Viet-Nam (respectively the former Tonkin, Annam and Cochin-China), whereas South Viet-Nam meant Cochin-China only. In some cases it is not possible to be certain whether post-partition figures officially supplied refer to Viet-Nam as a whole or to the territory under the jurisdiction of the Republic of Viet-Nam.
2. The Paris Agreements were abrogated in November 1955.
3. See *supra*, chapter on Cambodia.

External aid, notably from the United States (about $300 million for budget support, refugee relief, demobilization and economic development for the fiscal year 1954/55), can constitute a decisive factor for economic rehabilitation and development.[1] A substantial part of it is needed in the form of imports of equipment and material for public works construction, fertilizers for agriculture, etc. The portion of US aid for commercial procurement of merchandise, at prices that are competitive on world markets, has not been promptly utilized because of delays in procurement, and of the policy of the commercial banks in requiring one hundred per cent deposit for all import transactions. This credit policy is a particular handicap to the Vietnamese commercial concerns which have far less liquid capital than their foreign competitors. Purchase of French merchandise is facilitated by the "triangular franc" arrangement, under which the United States sells agricultural surplus products to France which in turn pays French francs to South Viet-Nam (already Fr 11,000 million by August 1955).

French aid in 1955 will amount to about Pr 315 million of which Pr 64 million will be allocated to economic aid.

While there are many unskilled labourers who are either unemployed or partially employed, skilled workers as well as technical and administrative personnel are lacking for the implementation of rehabilitation and development programmes. The need to send people for training abroad is fully realized but there still remains the problem that the officials best suited for such training cannot usually be spared from their present work.

PRODUCTION

Agriculture, fishery and forestry

The economy of South Viet-Nam is agricultural and is based primarily on the production of rice and rubber. Forestry and fishing products also are important in the economic life of the country.

In the southern part of South Viet-Nam, a total area of 2.2 million hectares was under cultivation during 1935-40 producing annually a total of 3.1 million tons of *paddy*. In 1954 paddy production reached 2.56 million tons from a cultivated area of 2.14 million hectares, with however a lower yield per hectare than in 1953.[2] The 1955 crop is estimated to fall to 2 million tons, in view of the late rains and the state of insecurity which still prevails in a part of the rice-growing regions.

In 1954 *rubber* production from estates of more than 500 hectares totalled 51,086 tons, an increase of 968 tons over the previous year, while the area exploited was 59,500 hectares, slightly more than in 1953. Production in the first eight months of 1955 was 29,351 tons, mainly for export. Domestic consumption of rubber is estimated on the average at 1,000 tons a year.

In 1954, 41,448 tons of *maize* and 17,206 tons of *copra* were produced in Viet-Nam.

The production of other agricultural products, such as tea, sugar, tobacco, cotton and pepper, is being expanded, although as yet no sizeable increases can be reported.

The production and export of *forest products* makes an important contribution to the economy. Production of wood for manufacturing and fuel rose from 695,000 cubic metres in 1953 to 796,000 cubic metres in 1954, while production of charcoal rose from 10,547 tons to 14,210 tons during the same period. Further rise in both is expected in 1955.

Fishery production is estimated to have fallen to 150,000 tons per year recently,[3] of which 30,000 tons are estimated to have been consumed in the Saigon area. The full potentialities of fishing have not yet been fully explored. Sea fishing is hampered by the small types of boat used and by the dangers from monsoons during six months of the year.

In 1955 the government introduced several amendments to the *Land Reform Act* passed in 1953. An important amendment fixed crop rent for use of the land (including building, fruit trees and fish ponds) at not less than 15 or not more than 25 per cent of the value of the principal crop. If the landowner provides the cultivator with seeds and fertilizers he is to be repaid after the harvest at their purchase price plus interest not exceeding 12 per cent per annum. When the landowner lets draught animals or farming implements to the cultivator, their rent shall not exceed 12 per cent of the value of the animals or implements.[4]

In South Viet-Nam much of the land lay fallow during the war years, and capital is needed for its reclamation. There are two institutions in South Viet-Nam which provide credit for this purpose—the National Service for Agricultural Credit and Handicraft Co-operatives, and the Agricultural Credit Institute. The National Service, through banks or co-operative societies, make short- and medium-term loans to cultivators for the purpose of increasing production or acquiring land, but did not function in 1955. The Agricultural Credit Institute makes loans to tenant cultivators and small landowners. Short-term loans, at 12 per cent interest per annum, are repayable after the first harvest, while medium-term loans for the installation of cultivators and purchase of draught animals, at 6 per cent interest per annum, are repayable in four instalments after the second, third, fourth, and fifth harvests. In 1955 the Agricultural Credit Institute was allocated a sum of Pr 225 million by the government.

Industry and transport

Since major *industries* like coal, power, cement and textiles are concentrated in North Viet-Nam,[5] South-Viet-Nam has begun a programme of industrial development. This programme, however, is handicapped by lack of fuel and electric power, and shortage of trained personnel especially entrepreneurs and skilled labourers.

Power production at the 29 stations in South Viet-Nam, 180 million kWh in 1954, is reported to have been maintained in 1955.

Salt production rose from 24,549 tons during the last six months of 1954 to 35,997 tons during the first six months of 1955. There has also been an increase in the production

1. US aid for the calendar year 1955 is estimated by the US Government to include (in millions of dollars) the following: budget support 203, demobilization allowance 20, refugee relief 41 and direct economic aid 10 (for offshore purchase only, but excluding 37 from counterpart fund.)
2. The area under paddy cultivation has however expanded from 1.3 million hectares in 1951 to 2.14 million hectares in 1954, through utilization of less productive land.
3. The prewar fishery production in Viet-Nam was 260,000 tons.
4. Under the 1953 Act the rent for the land was fixed at 15 per cent of the value of the principal crop; if the landowner placed buildings, farming implements, draught animals, seeds, etc. at the disposal of the cultivator, he could ask for supplementary returns, to be stated in the contract.
5. Little is known about their activities in 1955, except that at the beginning of March 1955 the Haiphong cement works stopped functioning, and that the American equipment installed at the coal mines of Hongay was dismantled and brought back to South Viet-Nam before partition.

of sugar, though output of other products, such as matches, alcohol, soft drinks, beer and a few chemicals (oxygen, accetylene and carbonic acid) has remained at the 1954 level.

Construction activity in the Saigon-Cholon area declined during the first half of 1955, as compared with an increase of 11 per cent in 1954. The housing shortage remains acute, especially in view of the large influx of refugees from North Viet-Nam.

Transport suffered heavily from the war. The first task of transport rehabilitation is to reconstruct the railways, roads and inland waterways. The budget of the National Railway Company contemplates improving the existing system and reconstructing the line between Tourane and Ninh-Hoa, a distance of 489 kilometres,[1] at a cost of Pr 590 million, of which Pr 260 million was expected to be spent in 1955. By March the 27-km section between Ninh-Hoa and Van-Gia had been reconstructed.

1,112 kilometres of the main roads destroyed during the war were reconditioned for which budget allocations up to 1955 reached Pr 150 million, with another Pr 298 million for the maintenance of the other 11,000 kilometres of roads in the country.

The extent of the destruction of inland waterway equipment that has taken place may be illustrated by the fact that the tonnage of dumb vessels (country boats and barges) is now only about one third of what it was in 1945 (at present 100,000 tons) whilst the fleet of self-propelled vessels and tugs has been reduced to less than half (at present 10,970 tons). Measures to rehabilitate the fleet are being considered. The navigable waterways have suffered heavily from lack of dredging, and of maintenance of bank protection and other works including navigation marks. In 1955, a dredging programme was initiated with three suction dredgers made available through US aid. In addition to funds made available by the government, an amount of Pr 16 million was allocated from US aid for the purpose. According to the present programme about 30 million cubic metres would be dredged in 1955 and 1956 to improve navigable waterways and create valuable agricultural plots well above the high water level. It was expected that the majority of navigation marks would be re-installed and repaired during 1955.

By 1954 the monthly tonnage of goods cleared through the Port of Saigon had reached the record level of 248,000 tons, which surpassed the monthly average of 238,000 tons in 1939. During the first seven months of 1955 the monthly average was only 212,000 tons. For 1955 a sum of Pr 9 million was allocated for the improvement of port facilities by the government.

Also for 1955 a sum of Pr 42 million was allocated by the government for the maintenance and repair of 14 existing airports, in addition to a sum of Pr 6.5 million from US aid for the improvement of the Tan-Son-Nhut airport at Saigon.

TRADE AND PAYMENTS

There are no balance-of-payments data as yet for the Republic of Viet-Nam. In 1954, the three States of Cambodia, Laos and Viet-Nam had a combined deficit on transactions in invisible items of Pr 10,000 million.[2] It is believed that a major part of this deficit can be attributed to South Viet-Nam. The trade deficit of South Viet-Nam in 1954 was Pr 9,376 million (imports at Pr 11,347 million and exports at Pr 1,971 million), compared with Pr 10,712 million in 1953, a decrease of 12.5 per cent. On the basis of returns for the first half of 1955 this trade deficit was expected to show a decline, owing mainly to a rise in the value of exports.[3]

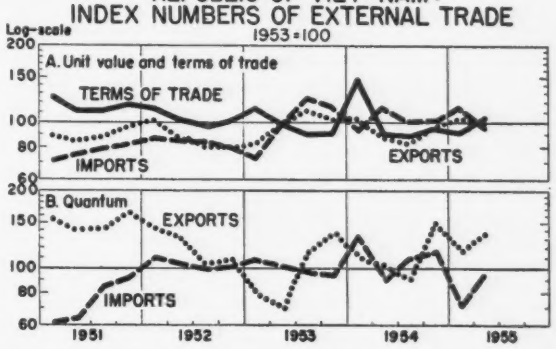
The payments deficit is being met largely by external aid from the United States. The foreign-exchange holdings of the National Bank of Viet-Nam increased from Pr 1,053 million at the beginning of 1955 to Pr 3,678 million six months later.

External trade

In 1954 as in 1953, the value of imports was covered to the extent of only 17 per cent by the value of exports.

Chart 33

REPUBLIC OF VIET-NAM:
INDEX NUMBERS OF EXTERNAL TRADE



Rubber and rice accounted for 81 per cent of the total value of exports in 1954 (79 per cent in 1953), with rubber as the leading export. In 1954, rubber exports reached 54,342 tons (59,548 tons in 1953) valued at Pr 824 million. Sixty-one per cent of this tonnage went to the United States as compared with 44 per cent in the previous year. France's share declined from 45 per cent in 1953 to 23 per cent in 1954. During the first half of 1955, rubber exports amounted to 28,143 tons, valued at Pr 557 million.

Exports of rice and derived products rose to 174,676 tons in 1954 (against 103,430 tons in 1953), valued at Pr 770 million, though they still constituted only a fraction of 1938 exports of 917,000 tons.[4] Although the tonnage had increased by 70 per cent over 1953, the value had risen by only 63 per cent as a result of the general decline in world prices for rice as well as the increased proportion of broken rice and by-products exported. Rice exports in the first half of 1955 totalled 69,609 tons, valued at Pr 262 million, with France and its overseas territories taking the major share as in 1954. For

1. This represents the section of the Trans-Viet-Nam Railway south of the 17th parallel. South Viet-nam had 908 km of railways in operation by August 1954.

2. The figures for the three States in 1954 show that income from invisibles amounted to Pr. 356 million under tourism, transport, insurance, profits and dividends, and miscellaneous services, as compared to payments for invisibles under the same headings of Pr. 10,388 million.

3. The actual figures for the period January to June 1955 are Pr 4,640 million for imports and Pr 1,203 million for exports.

4. As South Viet-Nam has always supplied North Viet-Nam with rice, and almost all exports of rice originate from the former, through the Port of Saigon, the pre-war figure for 1938 is generally comparable with those in post-war years.

1955, France contracted to buy a minimum of 115,000 tons from South Viet-Nam, to cover both its own needs and those of the overseas territories.

In 1954, the voulme of imports was nearly 4 per cent higher than in 1953 but the value was 11 per cent lower. There were increases in imports of some agricultural and food products, such as wheat flour, sugar, fresh vegetables and petrol products, but declines in imports of such products as textiles, metals, tobacco, beverages, fish and canned meat. The proportion of capital goods imports to total imports remained the same in 1954 as in 1953, as well as during the first half of 1955, at 16 per cent of total imports.

There has been a significant change in the direction of trade of south Viet-Nam in recent years. While France and overseas territories remain the major trading partners, their share in the total value of exports and imports has declined. In the meantime, the share of the United States has risen rapidly, more so in the value of exports than of imports.

Trade and exchange control, etc.

Imports and exports are subject to licences issued by the Directorate-General of Foreign Trade, the National Commission on Imports, and the Exchange Control Board, of which the first two agencies are expected to be combined soon. Exporters are required to sell their exchange proceeds to the National Bank of Viet-Nam, but are allowed to keep a certain portion for their own use: (1) from the dollar area 3 per cent for free disposal plus another 12 per cent for the import of specific commodities; (2) from the sterling area 10 per cent for imports on a given list of merchandise; and (3) from the franc area 15 per cent for free disposal.

With the abolition of the Customs Union, South Viet-Nam signed bilateral trade agreements with its two neighoburs, Cambodia and Laos, on 29 December 1954, relating in particular to transit trade and preferential tariffs. An agreement was also signed with France on 19 March 1955, which fixed the margin of preference for *ad valorem* duty on French products at a range from 4 per cent (for cement and phosphate) to 15 per cent (for cotton cloth, optical goods). The margin of preference conceded by the French Union to Vietnamese products varies from 2 per cent (for maize) to 60 per cent (for salt). In addition, France reserves a preferential market for Vietnamese rice (115,000 tons) and rubber (35,000 tons). Secondary products of South Viet-Nam like matches also enjoy a favoured market in the overseas territories of France. South Viet-Nam agrees to give priority to certain imports from France—10,000 tons of milk products, 30,000 tons of wheat flour and 30,000 tons of raw and refined sugar, etc. This agreement, valid for one year, is renewable. The tariff rates became effective on 15 April 1955, while the provision regarding the preferential market was made retroactive to 1 January 1955.

On 12 April 1955, South Viet-Nam established two types of customs tariff effective 1 January 1956, namely, the minimum tariff and the general tariff which is twice as high as the minimum tariff. In addition to the United States, countries which have concluded preferential tariff agreements with South Viet-Nam will benefit from the minimum tariff.

Up to the end of 1954, French commercial agreements with other countries generally contained a clause stipulating the participation of Viet-Nam. This stipulation no longer remained in effect after March 1955. In 1953, south Viet-Nam had itself signed commercial agreements with the Federal Republic of Germany, the Netherlands, Italy and the Belgo-Luxembourg Union. In 1955 it held preliminary talks on trade agreements with Japan, the Philippines, Indonesia, the United Kingdom and Australia.

FINANCE AND PRICES

Since 1953, the national budget, including the regional budgets, has had a substantial and increasing deficit. In 1953, total budgetary expenditure was Pr 8,400 million, of which more than 65 per cent was for military expenditure, while revenue receipts amounted to only Pr 5,500 million, the deficit being made up mainly by the contribution from the Government of France for military expenditure.

In 1954, the total budgetary expenditure rose to Pr 18,000 million, of which revenue receipts provided only Pr 5,400 million. The difference was largely financed by foreign aid, amounting to approximately Pr 9,000 million, with the remainder covered by the Treasury and by the advances from the Institut d'émission.

The national budget for 1955 estimated total receipts and expenditure to balance at Pr 5,122 million. About 93 per cent of the total receipts was expected to come from taxation. On the expenditure side Pr 800 million represented the contribution of the national budget to the military budget, which amounted to Pr 10,605 million, to be financed mainly through US aid, to the extent of Pr 7,819 million, with an estimated deficit of about Pr 2,000 million.

In recent years, about nine-tenths of the country's revenue receipts have been derived from tax revenue. The major taxes, given in order of importance, are the transaction and consumption taxes, customs duties, and taxes on income and wealth, contributing respectively an estimated Pr 2,066 million, Pr 1,692 million and Pr 752 million in 1955. The sales tax has been increased from 1 per cent to 4 per cent. The revenue from taxes on income and wealth has increased from 11 per cent in 1954 to 15 per cent in 1955. Collection of both direct and indirect taxes, formerly undertaken by the regional offices, is now centralized under the Directorate-General of Taxes.

The National Bank of Viet-Nam was established on 31 December 1954. \$t issues currency, discounts bills, makes loans, buys and sells gold and foreign exchange. It is required in the course of time to build up a gold and foreign exchange reserve equal to one-third of the money supply. Between December 1954 and September 1955 this ratio had increased from 8.9 per cent to 26.0 per cent.[1]

In practice, up to now, the operations of the National Bank have been to issue currency and to buy and sell foreign exchange; it has neither discounted commercial paper nor made loans as yet.

Up to the end of 1954 it was possible for French investors to transfer all profits back to France. In 1954 transfers reached Pr 196,000 million francs for the three States (largely from the former State of Viet-Nam)[2] for which the foreign

1. While French franc holdings rose from Pr 1,045 million in January to Pr 2,057 million in September 1955, dollar holdings rose from nil to Pr 2,478 million during the same period.
2. Institut d'émission, *Rapport annuel, 1954*.

exchange required was derived mainly from the expenditure incurred by the French expeditionary forces. Under the Paris Agreements, the Republic of Viet-Nam is allocating to repatriation of French capital realized 20 per cent of the amount of piastres purchased by the French Government at the National Bank of Viet-Nam for military expenses. In practice, however, between 1 January and 15 November 1955 the French Government bought only a small quantity of piastres, (less than Pr 2,400 million against about Pr 20,000 million during the corresponding period of 1954).

The wholesale price of No. 1 rice (25% broken) in Saigon-Cholon showed a rise of 54 per cent during the first eight months of 1955 from the level of Pr 323 per 100 kg in January to Pr 500 on 31 August 1955. This rise in price was particularly marked in July and August, mainly as a result of a call for offers from the Army, the small quantity of paddy arriving in Cholon and the hoarding of stocks. The diminution in arrivals was due to the fact that cultivators and traders in the interior anticipated a rise in the price of paddy in view of the long period of drought and its effect on the crop to be harvested in October. Moreover, traders were hoarding stocks and refusing to sell them at what they conidered to be an unrealistic controlled price. Arrivals were still poor in early September and commercial stocks were low, but this situation was expected to improve when the early crop was harvested in October.

During the first seven months of 1955 the general wholesale-price index of Saigon-Cholon registered an increase of 6 per cent, with a rise of nearly 18 per cent in the rice and paddy group and a fall of 6 per cent in other food products. The cost-of-living index registered a slight rise during the first six months of the year.

A wage survey was taken in January 1955, covering the cities of Saigon-Cholon, Hue, Tourane and Dalat-Banmethuot. In all cases it was found that wages had increased faster than the cost of living. For example between December 1953 and December 1954, whereas the cost of living had increased by 3 per cent unskilled workers' wages had increased by 18 per cent and skilled workers' wages by 32 per cent. On rubber plantations the increases from December 1953 to December 1954 were greater: 31 per cent for unskilled male workers, 41 per cent for unskilled female workers and 70 per cent for skilled workers. This greater increase in skilled workers' wages is one of the manifestation of shortage of skilled labour in all fields.

CONCLUSION

The economy of South Viet-Nam which is passing through a difficult phase is at present characterized by a low level of production, a large budgetary and payments deficit and a serious unemployment problem. On the other hand, the potential production capacity of the country appears great. With the return of peace, much land can be reclaimed and the pre-war production level restored at the least. The resources that can be developed immediately are agriculture, livestock and fisheries. Three economic centres could be created: the Plain of Ca-Mau with 30,000 hectares of possible rice fields, the Plain of Joncs with 500,000 hectares, and the PMS plain which could become an agricultural and industrial centre as important and as rich as the southern part of the Republic, thanks to the presence of hydro-electric power (Dau him), salt mines (Phan-Thiet) and forest lands.

The considerable import surplus in recent years, met by external aid mainly from France and the United States, has made it possible to maintain a degree of monetary stability under highly disturbed conditions. To the extent that aid goods were supplied, the inflationary pressure was mitigated.

Private investments, which remain small, are mainly in the commercial sector where profits are high. Existing capital is owned largely by foreigners, very little by Vietnamese. The newly established National Bank can in time play an effective role in encouraging capital formation. Credit policy can be shaped so as to attract private capital towards productive investment, and a clear-cut policy on foreign investment may reverse the pessimism that foreign enterprises exhibit today.

ASIAN ECONOMIC STATISTICS

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A. AREA AND POPULATION

	Area (sq km)	Latest census		Estimates of midyear population (thousands)					
		Date	Population	1937	1951	1952	1953	1954	1955
Afghanistan	650,000	..	..	10,972	12,000	..	..	..	..
British Borneo									
Brunei	5,765	27/11/1947	40,657	35	48	50	54	..	..
North Borneo	76,112	4/ 6/1951	334,141	295	335	347	355	..	..
Sarawak	121,909	26/11/1947	546,385	440	571	581	592	..	..
Burma	677,924	5/ 3/1941	16,823,798	15,635	18,674	18,859	19,045	19,242	19,434
Cambodia	175,000	..	..	3,046	4,000	..	3,860	..	..
Ceylon	65,607	20/ 3/1953	8,098,637	5,712	7,742	7,940	8,155	8,385	8,589
China	9,736,288	31/ 6/1953	582,603,417[a]	446,930	..	..	582,603[a]	..	..
Taiwan	35,961[b]	1/10/1940	5,872,084	5,530	7,713[c]	8,000[c]	8,283[c]	8,594[c]	8,884[c]
Hong Kong	1,013	7/ 3/1931	840,473	1,282	2,013	2,250	2,250	2,277	2,340
India[d]	3,048,075	1/ 3/1951	356,879,394	304,333[e]	..	367,000[e]	372,000[e]	377,000[e]	..
Indonesia	1,491,564	7/10/1930	60,412,962	67,398	77,400	78,000	79,900	81,100	..
Japan[f]	368,302	1/10/1950	83,199,637	70,040	84,300	85,500	86,700	88,000	88,900
Korea	220,792	1/10/1944	25,120,174	21,528	..	..	30,000	..	..
South Korea	93,634	1/ 5/1949	20,166,756	..	..	21,206	21,376	21,686	..
Laos	236,800	..	..	1,012	1,309	1,356	1,260	..	..
Malaya									
Fed. of Malaya[g]	131,049	23/ 9/1947	4,908,086	4,083	5,337	5,506	5,706	5,889	6,059
Singapore	740	23/ 9/1947	940,824	..	1,045	1,080	1,123	1,168	1,213
Nepal	139,976	..	..	*6,000*	..	*7,000*	..	..	..
East Nepal	44,136	15 Jeth[h] 1952	3,764,757	..	..	3,765	..	..	..
West Nepal	95,840	15 Jeth[h] 1954	4,666,780	..	..	..	..	4,667	..
Pakistan[i]	943,699[j]	28/ 2/1951	75,842,165	*66,009*	76,814	78,502	..	..	..
Philippines	299,404	1/10/1948	19,234,182	15,445	20,260	20,646	21,039	21,440	21,849
Thailand	514,000	23/ 5/1947	17,442,689	14,492	18,837	19,193	19,556	19,925	20,302
Viet-Nam	329,600	..	..	18,972	25,000	..	25,880	..	26,000

Sources: United Nations Statistical Office and governments.

a. Excluding Taiwan.
b. Included in the area for China.
c. Excluding aliens and armed forces. Armed forces was 650,000 at the end of 1954.
d. Excluding Kashmir-Jammu, the area of which is 240,291 square kilometres and population estimated at 4.41 millions at 1 March 1951. Area also excludes Sikkim, Andaman and Nicobar Islands and Laccadive Islands; census population for 1951 was *de jure* population, which excludes also tribal areas of Assam, the population of which is locally estimated at 560,630 persons.
e. Including Sikkim, Andaman and Nicobar Islands, and Laccadive Islands. Also including Kashmir-Jammu.
f. Excludes allied military and civilian personnel and their dependents. For 1937, 1 October.
g. Comprising the former Federated Malay States, Unfederated Malay States and the settlements of Penang and Malaca. Population excludes transients afloat, non-resident military personnel and enemy prisoners of war numbering altogether 14,735 at 1947 census.
h. Nepal calendar.
i. Excluding Kashmir-Jammu, Gilgit, Baltistan, Junagadh and Manavadar.
j. Excludes large river areas in East Bengal (approximately 930 square kilometres).

B. CRUDE RATES OF LIVE BIRTHS AND DEATHS PER ANNUM

(Number of live-births or deaths per 1,000 persons)

	British Borneo			Burma	Ceylon	China (Taiwan only)	Hong Kong	India	Japan	Malaya		Philippines	Thailand
	Brunei	North Borneo	Sarawak							Federation	Singapore		
(1) Live births													
1935-39	..	..	..	32.1	35.7	44.7	26.7[a]	33.8	29.2	40.2	46.0	33.6	34.9
1940-44	..	..	..	..	37.3	41.8[a]	25.2[a]	29.1	30.1	40.7[a]	44.8[a]	32.5[a]	35.2
1945-49	45.2[a]	19.0[a]	14.0[a]	..	39.0	41.0[a]	25.1[a]	28.4	29.9	40.6[a]	46.4	30.5	25.1
1950	50.7	26.6	22.2	39.6	40.4	42.5	26.8	24.9	29.2	42.0	45.7	21.9	28.4
1951	58.7	31.2	24.6	46.1	40.5	49.9	34.0	24.9	25.4	43.6	46.2	22.7	29.3
1952	53.6	33.1	27.4	47.3	39.5	46.6	32.0	24.9	23.5	44.4	47.5	21.9	29.1
1953	..	31.4	26.7	31.7	39.4	45.3	33.6	26.7	21.5	43.7	48.7	20.7	31.0
1954	..	..	..	33.5	36.2	44.5	36.6	28.4	20.1	43.8	48.9	..	..
1955													
Jun	..	..	..	..	39.0	39.4	36.8	30.1	16.2	44.4	49.8	..	..
Sep	..	..	..	..	..	..	42.7	..	..	..	49.1	..	..
(2) Deaths													
1935-39	..	..	..	22.0	24.5	20.2	29.0[a]	22.6	17.4	20.8	22.1	16.7	16.4
1940-44	..	..	..	..	20.1	18.3	35.8[a]	22.6	16.3	20.1[a]	20.8[a]	16.6[a]	17.3
1945-49	19.7[a]	13.3[a]	5.8[a]	..	16.5	13.7	8.6[a]	17.4	17.0	17.5[a]	12.5[a]	13.1[a]	13.3
1950	18.1	11.9	11.2	46.8	12.6	11.3	8.2	16.1	10.9	15.8	12.1	8.2	10.0
1951	14.8	13.5	9.1	39.3	12.9	11.6	10.2	14.4	10.0	15.3	11.9	9.1	10.3
1952	17.4	13.1	9.9	34.2	12.0	9.9	8.6	13.6	8.9	13.6	11.2	8.5	9.7
1953	11.5	11.5	9.0	21.6	10.9	9.5	8.1	15.0	8.9	12.4	10.3	8.8	9.4
1954	..	..	7.7	19.9	10.4	8.1	8.5	13.2	8.2	12.2	9.3	..	..
1955													
Jun	..	..	..	..	11.5	8.8	7.7	12.3	7.0	11.8	9.4	..	..
Sep	..	..	..	..	..	..	8.6	..	..	..	8.5	..	..

Sources: United Nations Statistical Office and governments.

a. Average of less than 5 years.

1934-38=100

	All Commodities	Food	Cereals	Per capita food production	Per capita cereal production
TOTAL WORLD (excluding China mainland, U.S.S.R., & eastern Europe)					
1948/49	111	112	111	96	96
1949/50	113	114	108	97	92
1950/51	116	118	110	98	91
1951/52	119	120	109	98	90
1952/53	125	126	122	102	99
1953/54	128	130	126	104	101
1954/55	127	129	119	101	93
ECAFE REGION Including mainland China					
1948/49	95	96	99	86	88
1949/50	94	96	96	85	86
1950/51	97	97	96	85	85
1951/52	99	99	97	86	85
1952/53	102	102	101	88	87
1953/54	104	104	106	90	91
1954/55	104	104	105	89	89
Excluding mainland China					
1948/49	96	97	96	83	82
1949/50	99	100	99	84	83
1950/51	100	100	96	83	80
1951/52	103	102	97	84	80
1952/53	106	105	102	85	83
1953/54	109	110	112	88	89
1954/55	109	109	109	86	85
BURMA					
1948/49	80	80	77	70	67
1949/50	79	80	75	70	65
1950/51	83	82	75	71	65
1951/52	86	85	79	72	67
1952/53	90	88	84	74	70
1953/54	88	86	81	72	67
1954/55	88	87	83	71	68
CEYLON					
1948/49	123	116	117	92	92
1949/50	126	121	114	93	87
1950/51	134	123	118	91	88
1951/52	144	138	165	100	119
1952/53	139	135	146	95	103
1953/54	148	146	172	100	119
1954/55	155	156	202	104	136
CHINA (Taiwan only)					
1948/49	85	85	92	67	73
1949/50	94	93	107	70	80
1950/51	96	96	120	69	87
1951/52	110	107	124	75	86
1952/53	119	117	121	78	81
1953/54	121	120	126	78	81
1954/55	126	124	133	78	83
INDIA (1936–38=100)					
1948/49	97	100	94	86	81
1949/50	101	103	97	87	83
1950/51	98	99	89	83	74
1951/52	103	105	94	87	78
1952/53	107	110	102	90	84
1953/54	118	120	125	97	101
1954/55	117	119	116	95	93
INDONESIA					
1948/49	80	83	83	73	73
1949/50	90	90	87	78	75
1950/51	101	91	88	78	75
1951/52	107	93	88	78	74
1952/53	111	99	95	81	78
1953/54	115	107	105	86	85
1954/55	122	113	117	90	93
JAPAN					
1948/49	84	92	102	79	88
1949/50	88	96	103	81	87
1950/51	96	104	105	86	87
1951/52	102	109	102	89	84
1952/53	112	120	110	97	89
1953/54	100	107	94	85	75
1954/55	110	118	105	92	82
KOREA (South) (1930, 1934 and 1936=100)					
1948/49	108	106	101	77	74
1949/50	121	118	112	88	81
1950/51	98	96	103	70	75
1951/52	89	91	96	65	68
1952/53	94	95	100	66	69
1953/54	107	110	119	75	81
1954/55	109	110	111	73	74
MALAYA					
1948/49	141	86	97	68	74
1949/50	140	95	137	71	103
1950/51	145	100	139	75	102
1951/52	131	98	107	72	79
1952/53	130	105	138	74	98
1953/54	127	103	128	71	88
1954/55	131	108	136	72	90
PAKISTAN (1936–38=100)					
1948/49	103	111	113	97	99
1949/50	104	113	116	98	101
1950/51	107	113	116	98	100
1951/52	108	113	111	98	95
1952/53	109	112	106	96	91
1953/54	103	116	113	98	95
1954/55	108	118	115	99	97
PHILIPPINES					
1948/49	93	99	118	78	93
1949/50	103	110	124	85	96
1950/51	125	131	132	100	101
1951/52	130	139	136	104	102
1952/53	132	142	147	104	108
1953/54	136	146	151	105	108
1954/55	137	147	147	104	104
THAILAND					
1948/49	140	136	157	108	125
1949/50	139	136	154	106	120
1950/51	144	138	156	106	120
1951/52	164	150	169	113	127
1952/53	154	142	152	104	112
1953/54	175	163	190	118	137
1954/55	152	135	134	96	95

Source: FAO. Indexes compiled by FAO may not agree with national indexes.
General Note: Food crops comprise the following: Cereals, sugar, root crops, pulses, oilseeds, fruits, vegetables, beverage crops, and livestock and dairy products. Cereals include: rice, wheat, maize, millet, sorghum, barley, oats, and rye. Commodities other than food include: tobacco, fibres, linseed and rubber.

D. PRODUCTION OF SELECTED AGRICULTURAL COMMODITIES

	Area (1,000 hectares)						Production (1,000 tons)					
	1934/35 to 1938/39	1948/49 to 1950/51	1952/53	1953/54	1954/55	1955/56	1934/35 to 1938/39	1948/49 to 1950/51	1952/53	1953/54	1954/55	1955/56
RICE (Paddy)												
British Borneo												
Brunei	2	3	4	3	3	3	2	6	4	5	4	..
North Borneo	33	35	31	29	29	..	20	43	47	50	..	..
Sarawak	241	190	..	..	..	..	148	118	..	..	..	..
Burma[a]	4,931	3,656	3,999	3,835	3,876	..	6,971	5,038	5,841	5,829	5,568	..
Cambodia	..	1,058	1,166	1,205	1,185	..	[b]	1,260	1,471	1,503	815	..
Ceylon	344	392	400	449	517	..	340	..	494	584	689	..
China (Taiwan only)	686	745	786	778	798	825	1,642	1,536	1,953	2,042	2,108	2,238
India	23,741	30,221	29,969	31,173	30,118	..	32,308	33,539	34,347	42,004	36,894	..
Indonesia	6,041	5,699	6,114	6,465	6,702	..	9,987	8,025	9,962	10,970	11,793	..
Japan	3,169	2,968	3,004	2,982	3,038	..	11,501	11,995	12,404	10,298	11,336	14,819
Korea (south)	1,216	1,055	1,170	1,069	1,110	..	2,726	3,061	2,875	3,516	3,270	..
Laos	..	850	800	665	..	..	[b]	563	500	620	..	..
Malaya, Federation of	297	353	334	333	360	..	513	637	711	658	700	..
Pakistan	7,582	8,867	9,316	9,928	9,591	..	11,169	12,585	12,423	13,946	12,809	..
Philippines	1,990	2,223	2,456	2,568	3,059	..	2,179	2,620	3,144	3,182	3,203	..
Thailand	3,370	5,063	5,130	5,931	4,524	..	4,357	6,767	6,602	8,239	5,709	..
WHEAT												
Afghanistan	..	..	..	..	..	..	..	1,700	..	..	..	..
China (Taiwan only)	1	14	15	14	11	15	1	12	17	14	15	19
India	10,802	9,078	9,471	9,828	10,647	10,862	7,411	5,930	6,183	7,501	7,999	8,676
Japan	684	754	720	685	671	661	1,288	1,283	1,537	1,374	1,516	1,469
Korea (south)	135	103	98	107	116	..	100	98	83	90	131	..
Pakistan	3,766	4,178	4,144	3,856	4,310	4,273	3,183	3,793	3,020	2,428	3,742	3,184
BARLEY												
India	2,669	3,122	3,159	3,246	3,529	3,237	2,258	2,391	2,367	2,928	2,951	2,831
Japan	764	1,003	927	915	1,012	992	1,758	1,924	2,158	2,091	2,583	2,407
Korea (south)	867	641	632	736	731	..	862	643	611	761	632	..
Pakistan	197	233	209	230	248	244	153	162	118	111	158	..
MAIZE												
India	2,970	3,277	3,605	3,788	3,774	..	2,210	1,960	2,870	3,011	2,991	..
Indonesia	2,097[c]	2,095	2,232	1,969	2,500	..	2,054[c]	1,639	1,637	1,815	2,668	..
Japan	51	39	41	47	46	..	75	51	71	66	56	..
Pakistan	329	391	396	432	432	..	364	394	354	444	447	..
Philippines	695	935	998	1,120	1,361	..	427	667	710	780	770	..
MILLET AND SORGHUM												
Ceylon (millet)	..	38	36	42	42	..	..	14	19	22	23	..
India	27,705	31,499	35,595	37,815	36,516	..	13,484	11,586	13,814	16,885	17,120	..
Japan (millet)	129	112	112	99	91	..	159	123	146	119	85	..
Korea (south)	210	190	160	138	162	..	133	128	93	94	92	..
Pakistan (millet)	1,215	1,502	1,429	1,655	1,343	..	504	644	495	746	572	..
SUGAR (Cane and Beet)												
Afghanistan (Beet)												
Centrifugal (raw value)	..	..	..	..	..	..	..	5	4	6	6	..
Burma: Centrifugal	..	14		..	..	..	23	7	23	23	25	23
Non-centrifugal	21	18△		..	..	..	78	68	82	82	..	..
China (Taiwan only)												
Centrifugal (raw value)	..	108△	98	85△	75	..	1,030	565	895	720	755	..
Non-centrifugal	116	82		..	..	..	29	11	19	12	15	..
India												
Centrifugal (raw value)	1,326△	1,564△	1,729△	1,456△	..	..	1,090	1,270	1,542	1,197	1,533	..
Non-centrifugal	..	..	..	..	..	..	2,680	2,940	2,630	2,630	2,640	..
Indonesia: Java and Madhura[d]												
Centrifugal (telquel)	55	19	47	44	..	..	913	181	460	619	725	..
Non-centrifugal	..	..	..	..	..	..	73	36	200	249	250	..
Japan (Beet)												
Centrifugal (raw value)	17	12	13	14	14	..	39	14	35	44	36	..
Non-centrifugal	6△	3△	4	3△	3△	..	4	15	25	23	23	..
Malaya, Federation of												
Centrifugal (raw value)	..	1	1△	..	..	..	..	8	..	..	..	..
Pakistan[e]												
Centrifugal (raw value)	211△	291△	352△	389△	412△	..	30	42	86	83	91	..
Non-centrifugal Gur	..	..	..	..	..	..	650	610	830	960	960	..
Philippines												
Centrifugal (raw value)	235△	332△	391△	..	..	..	960	711	1,029	1,301	1,257	..
Non-centrifugal	..	143	209	225	..	..	57	34	58	50	91	..
Thailand												
Centrifugal (raw value)	..	48△	74△	..	..	..	19	33	36	36	38	..
Crude brown	10	47	73	..	..	..	15	19	19	19	19	..
POTATOES												
India	182	226	255	262	259	..	1,833	1,510	1,992	1,997	1,626	..
Japan	151	218	197	203	212	..	1,622	2,390	2,515	2,415	2,746	..
Korea (south)	..	42	39	45	44	..	..	246	160	386	234	..

D. PRODUCTION OF SELECTED AGRICULTURAL COMMODITIES *(Cont'd)*

	Area (1,000 hectares)						Production (1,000 tons)					
	1934/35 to 1938/39	1948/49 to 1950/51	1952/53	1953/54	1954/55	1955/56	1934/35 to 1938/39	1948/49 to 1950/51	1952/53	1953/54	1954/55	1955/56
SWEET POTATOES & YAMS												
Cambodia	1	1	2	..	..	..	18	16	35	..	..	*2,530*
(China (Taiwan only)	126	231	234	238	248	220	1,279	2,123	2,110	2,295	2,557	..
Ceylon	..	15	14	15	..	..	..	29	45	42	43	..
Hong Kong	..	4	4	4	4	..	..	19	18	18	10	..
India	..	127	173	165	179	..	..	793	1,203	919	1,272	..
Indonesia	206	223	335	325	283	..	1,459	1,422	2,291	2,176	2,038	..
Japan	248	420	377	360	354	..	3,060	6,210	6,205	5,391	5,226	..
Korea (south)	..	45	32	46	46	..	114	306	178	413	394	..
Malaya, Federation of	..	19	..	7	..	..	..	198	..	5	..	..
Philippines	84	109	120	268	273[f]	..	202	455	540	1,180[f]	1,200[f]	..
Viet-Nam	105	..	..	..	..	..	228	..	..	..	..	..
SOYBEANS												
Indonesia	337[c]	361	417	457	526	..	248[c]	263	286	306	400	..
Japan	326	303	410	421	430	..	321	295	521	429	376	..
Korea (south)	393	235	264	250	258	..	280	151	120	142	160	..
Thailand	3	12	21	24	22	..	4	8	21	21	20	..
GROUNDNUTS (in shells)												
China (Taiwan only)	30	78	81	83	64	*95*	50	55	60	60	67	*80*
India	3,246	4,061	4,795	4,398	5,118	..	3,196	3,287	2,929	3,630	3,884	..
Indonesia	237[c]	274	278	292	327	..	263	246	286	366	448	..
Japan	8	11	25	25	27	..	12	15	33	39	..	..
Philippine	7	25	32	*28*	*28*	..	4	19	17	18	18	..
Thailand	..	58	71	79	79	..	..	49	76	78	92	..
COPRA												
British Borneo[g]	..	..	..	..	..	..	16	22	26	26	..	..
Ceylon	..	..	..	..	..	..	215	217	267	233	217	..
India	..	..	..	..	..	..	41[h]	176	181	176	180	..
Indonesia	..	..	..	..	..	..	715	670	670	740	760	..
Malaya, Federation of	..	..	..	..	..	..	188	129	157	154	167	..
Philippines	..	..	990	*990*	*990*	..	583	787	954	856	942	..
Viet-Nam (south)	..	18	18	18	19	..	28	15	17	17	17	..
TEA												
Ceylon△	226	225	231	232	233	..	102	140	144	153	164	..
China (Taiwan only)	42	35	38	39	41	*45*	12	9	12	12	13	*14*
India△	309	313	314	..	..	..	178	268	306	279	292	..
Indonesia	198	57[i]	67[i]	67[i]	67[i]	..	75	25[j]	37[j]	37[j]	47[j]	..
Japan△	39	27	30	33	35	..	49	33	57	56	68	..
Pakistan△	44	30	30	30	30	..	26	16	23	25	25	..
TOBACCO												
Burma	40	48	56	55	53	..	45	44	47	48	48	..
China (Taiwan only)	1	8	5	6	6	*6*	2	9	10	10	10	*11*
India	365	336	288	363	360	348	343	255	209	245	260	252
Indonesia: Estates	27[k]	14	12	13	12	..	44	8	8	11	8	..
Farms	149	95	130	89	..	..	67	..	76	..	..	..
Japan	35	50	55	66	69	..	64	86	96	102	113	134
Korea (south)	12	18	17	14	24	..	13	12	17	15	29	..
Pakistan	142	69	74	78	*80*	..	151	69	81	92	..	..
Philippines	67	38	39	44	*54*	..	35	24	22	26	24	..
Thailand	10	26	26	53	..	..	9	17	42	50	53	..
COTTON												
Afghanistan: Seed	75	25	40	..	..	..	20	11	24	26	18	..
Lint	75	51	81	91	..	..	10	6	12	13	20	..
Burma: Seed	198	80	146	162	..	..	39	17	38	35	..	..
Lint	198	75	146	162	162	..	21	11	21	22	18	..
India: Seed	8,486	5,126	6,350	6,890	5,208	..	2,290[h]	866	1,114	1,358	..	..
Lint	8,486	5,126	6,359	6,953	7,424	*5,331*	737	433	568	700	727	..
Korea (South): Seed	..	133	115	..	..	..	..	55	32	32	..	..
Lint	..	133	115	128	120	..	..	28	16	10	..	..
Pakistan: Seed	1,495	1,156	1,403	1,185	..	..	..	420	639	510	..	..
Lint	1,495	1,156	1,408	1,185	*1,289*	..	289	216	320	257	283	..
Thailand: Seed	6	31	37	40	..	..	3	11	16	18	..	..
Lint	6	31	37	40	42	..	2	6	8	9	..	..
JUTE												
India	349	461	735	484	515	*543*	345	511	836	568	572	..
Pakistan	856	633	772	308	465	*694*	1,154	802	1,238	454	491	..
HEMP FIBER												
India[m]	..	302	254	255	..	..	100	149	118	118	..	..
Philippines[n] (Abaca)	292	293	272	239	217	..	183	87	123	120	110	..

General Notes:

1. Area relates generally to area harvested, except those with the symbol △ which relate to planted areas.
2. Averages for 1934/1935 to 1938/39 and for 1948/49 to 1950/51 do not in all cases cover the precise periods indicated.
3. For further details see the notes in the *Yearbook of Food and Agricultural Statistics 1954*, Volumn VIII, Part I—Production.

a. Excludes Putao, Chin Hills, Shan States and Karenni.
b. Total average annual production of Cambodia, Laos and Viet-Nam in 1934-38 amounted to 6,498,000 tons.
c. Java and Madura, Bali and Lombok only.
d. Calendar year of the initial year stated, Tel quel and estates only, excluding small holdings.
e. White sugar, raw basis, direct from cane refined from gur and khandasiri, excluding palm sugar production estimated at 115,000 tons annually.
f. Includes other root crops.
g. North Borneo and Sarawak only.
h. Including territory now under Pakistan.
i. On estates.
j. Estate production including processed raw produce purchased from native growers.
k. Java and Madura.
m. Area of Sunn hemp for fibre, green manure, and fodder.
n. Production relates to calendar year of the initial year stated, and represents balings as reported by the Fiber Inspection Service, plus an allowance of 10 per cent for unbaled fiber.

E. RAILWAYS: ROLLING STOCK

	NUMBER OF LOCOMOTIVES						NUMBER OF PASSENGER CARS					
	1938	1948	1952	1953	1954	1955	1938	1948	1952	1953	1954	1955
BURMA	369	278	312	312	312	..	1,167	479	705	743	753	..
CAMBODIA	..	17	21	24	24	24	..	29	31	41	43	43
CEYLON[a]	248	239	257	262	265	..	1,612	1,580	1,744	1,786	1,810	..
CHINA (Taiwan only)	205	253	249	257	252	252 (Sep)	498	456	595	568	569	571 (Sep)
HONG KONG	17	16	16	16	16	16 (Jun)	44	34	34	34	34	39 (Jun)
INDIA[b]	8,488[c]	8,194	8,572	8,587	8,627	..	26,338[c]	20,979	21,340	22,177	22,793	..
INDONESIA[d]	1,279	584[e]	1,004	1,045	1,063	..	3,600	2,021	2,741	2,813	3,019	..
JAPAN[f]	4,235	5,973	5,468	5,486	5,474	..	11,193	13,930	14,335	13,900	14,119	..
KOREA (South)	..	631	655	572	546	..	..	1,338	674	766	971	..
MALAYA	179[g]	201	188	189	191	..	405[g]	289	293	298	320	..
NORTH BORNEO	13[g]	11	16	16	16	..	44[g]	22	40	46	38	..
PAKISTAN	—	1,286	1,303	1,313	..	..	..	2,987	2,690	2,883	..	..
PHILIPPINES[h]	160	82	96	95	94	94 (Jun)	397[i]	218	365	367	351	344 (Jun)
THAILAND	200	339	456	454	372	374 (Jun)	322	453	593	616	622	637 (Jun)
VIET-NAM (South)	..	..	119	121	121	..	..	..	..	..	..	..

	NUMBER OF FREIGHT CARS					
BURMA	9,690	6,912	5,957	5,830	7,101	..
CAMBODIA	..	281	396	396	395	392
CEYLON[a]	2,665	3,273	3,326	3,300	3,523	..
CHINA (Taiwan only)	4,654	5,703	5,470	5,453	5,483	5,538 (Sep)
HONG KONG	134	60	243	233	233	233 (Jun)
INDIA[b]	221,509[c]	214,320	215,798	224,938	229,724	..
INDONESIA[d]	27,236	16,690	23,560	23,282	24,041	..
JAPAN[f]	73,784	108,155	106,626	106,732	106,703	..
KOREA (South)	..	11,337	11,117	10,777	11,912	..
MALAYA	5,776[g]	4,967	5,029	5,122	5,877	..
NORTH BORNEO	156[g]	80	158	169	169	..
PAKISTAN	..	34,702	38,349	38,469	..	..
PHILIPPINES[h]	2,239	1,902	1,908	1,850	1,811	1,776 (Jun)
THAILAND	3,833	5,346	6,129	6,401	6,201	6,212 (Jun)
VIET-NAM (South)	..	..	..	..	..	..

General Note: The time of year to which figures relate is the end of the working year. Pre-war data for Japan relate to 1936. Locomotives: All vehicles with engines or motor and motive power or with motors only. Passenger cars: All passenger carrying cars including railcars, baggage cars and railway-owned postal vans. Freight cars: All goods-carrying cars excluding baggage vans and cars used exclusively for service traffice.

a. Broad gauge and narrow gauge.
b. Passenger cars and freight cars include service vehicles.
c. Including territory now under Pakistan.
d. State and private railways.
e. Excluding locomotives under repair.
f. State Railways only.
g. 1941.
h. Manila Railroad Co.
i. Includes Manila Railroad and Philippines Railway.

F. ROADS: MOTOR VEHICLES IN USE

	NUMBER OF COMMERCIAL MOTOR VEHICLES ('000)						NUMBER OF PASSENGER MOTOR CARS ('000)					
	1938	1948	1952	1953	1954	1955	1938	1948	1952	1953	1954	1955
BRITISH BORNEO												
Brunei	..	..	0.72	1.45	1.69	..	..	..	0.35	0.49	0.56	..
North Borneo	..	0.37	0.75	0.66	..	..	..	0.16	1.18	0.93	..	..
Sarawak	0.11	0.18	0.75	0.67	0.63	..	0.19	0.16	0.62	0.71	0.84	..
BURMA	14.0	22.00	11.0	9.8	11.4	..	6.90	10.9	9.7	12.4	13.0	..
CAMBODIA	..	1.22	..	..	..	..	..	0.94	..	..	..	..
CEYLON	6.94	12.46	17.61	19.01	19.57	..	21.04	27.60	45.55	49.76	51.80	..
CHINA (Taiwan only)	4.41[a]	3.37	5.65	6.26	6.65	7.02 (Sep)	..	1.64	2.58	3.26	3.88	4.42 (Sep)
HONG KONG[b]	..	2.90	3.03	3.16	3.34	3.55 (Jun)	..	6.39	11.64	13.00	15.13	16.64 (Jun)
INDIA	36.4[c]	86.1	118.2	130.1	136.3	..	88.1[c]	119.9	161.6	168.9	168.2	..
INDONESIA[d]	16.9	23.5[e]	36.4	51.2	..	..	53.1	22.2[e]	41.0	59.6	..	..
JAPAN[f]	84.4[g]	120.2	195.1	218.6	243.3	264.6 (Jun)	52.4	21.3	59.3	76.6	106.3	119.0 (Jun)
KOREA (South)	..	10.9	8.8	9.5	10.6	10.9 (Aug)	..	3.6	2.6	3.8	5.1	5.7 (Aug)
LAOS	..	0.30	0.11	0.20	0.42	..	..	0.20	0.11	0.16	0.23	..
MALAYA[d]												
Federation	6.52[a]	15.14	19.88	20.56	20.02	20.64 (Jun)	20.45[a]	19.76	44.85	50.37	52.52	54.07 (Jun)
Singapore	3.02	7.03	9.56	9.90	10.10	10.57 (Sep)	10.18	12.71	29.57	33.16	36.21	39.91 (Sep)
PAKISTAN	..	8.2	16.1	..	..	..	..	14.6	35.8	..	..	..
PHILIPPINES[d]	18.9	51.4	55.3	56.1	57.7	..	32.3	34.6	50.0	50.9	54.1	..
THAILAND[h]	5.13	2.67	8.17	11.57	..	..	5.1	6.5	14.3	16.8	..	..
VIET-NAM	3.10	6.09	5.78	6.97	7.57	9.00 (Aug)	10.80	12.01	13.01	15.34	17.54	19.86 (Aug)

General Note: Passenger motor cars relate to motor cars seating less than eight persons, including taxis but excluding motor-cycles. Commercial motor vehicles relate to lorries, buses, tractors, and semi-trailer combinations excluding trailers, farm and road tractors.

a. 1940.
b. Commercial vehicles include government vehicles which in 1952 numbered 780.
c. 1939: British India excluding Indian States and Burma.
d. Including government vehicles.
e. 1949.
f. Pre-war figures relate to 1936. Small sized vehicles excluded.
g. 1937.
h. For 1948 and thereafter figures relate to Bangkok and Thonburi only.

G. INTERNATIONAL TRANSACTIONS

Millions

	1952	1953	1954	First half 1954	First half 1955
BURMA (K.)					
Goods and services	278	86	— 22	128	— 50
Exports, f.o.b.	1,256	1,068	1,145	642[a]	515
Imports, c.i.f.	—914	—850	—969	—452	—487
Transportation and insurance	— 15	— 12	— 2	5	— 1
Government, n.i.e.	— 42	—112	—173	— 56	— 59
Other	— 8	— 9	— 23	— 11	— 18
Private donations	— 42	— 40	— 33	— 17	— 14
Private capital	— 31	— 8	— 5	—	— 2
Official donations	35	21	8	5	—
Official and bank capital	—220	— 77	216	39	68
Long-term capital:					
Gold and U.S. dollar subscriptions to IMF and IBRD	—	—	—	—	—
Other[b]	—	—	—168[b]	— 87[b]	— 70[b]
Short-term capital:					
Liabilities	— 18	— 2	— 9	— 8	— 5
Sterling balances	—162	— 46	426	173	173
U.S. dollar balances	— 39	— 28	— 30	— 28	— 21
Other foreign assets	— 2	— 1	— 2	— 11	— 9
Monetary gold	—	—	—	—	—
Net errors and omissions	— 20	18	—165	—154	— 2
CEYLON (Rs.)					
Goods and services	—342	—103	348	155	225
Exports, f.o.b.	1,410	1,495	1,723	839[c]	969[c]
Imports, c.i.f.	—1,707	—1,622	—1,384	—646[c]	—691[c]
Transportation and insurance	39	94	78	— 3[c]	— 13[c]
Investment income	— 45	— 38	— 47	— 17	— 23
Other	— 39	— 32	— 22	— 18	— 17
Private donations	—104	— 53	— 67	— 24	— 43
Private capital	25	— 37	— 49	— 28	— 19
Official donations	—	3	24	—	—
Official and bank capital	372	198	—228	—101	—168
Long-term capital:					
Portfolio security holdings	— 8	264	— 32	— 34	— 3
U.K. loan repayment	2	1	29	28	2
Gold subscription to IMF and IBRD	—	—	5	—	2
Government borrowing in U.K.	—	—	67	63	—
Short-term capital:					
Liabilities	23	— 26	— 5	22	— 31
Foreign assets of Government and Central Bank	265	— 31	—269	—180	—138
Foreign assets of commercial banks	90	— 10	— 23		
Monetary gold	—	—	—	—	—
Net errors and omissions	49	— 3	— 28	— 2	5
CHINA (Taiwan only $)					
Goods and services	— 96.0	— 80.9	—136.2	— 48.9	— 35.1
Exports, f.o.b.	119.5	128.6	100.5	59.0	58.7
Imports, c.i.f.	—204.8	—192.9	—209.6	—101.3	— 88.0
Non-monetary gold movement	1.9	1.6	1.3	0.6	0.1
Transportation and insurance	— 1.0	— 6.4	— 5.9	— 3.5	— 0.6
Investment income	— 0.3	— 0.2	— 0.2	— 0.1	0.5
Government, n.i.e.	— 7.8	— 8.3	— 18.5	— 1.9	— 2.8
Other	— 3.5	— 3.3	— 3.8	— 1.7	— 2.9
Private donations	1.7	2.4	—	—	0.2
Private capital	0.6	9.9	10.7	6.6	1.2
Official donations	94.6	84.7	93.0	45.2	45.1
Official and bank capital	— 3.1	— 14.3	32.8	— 4.8	— 13.3
Long-term capital:					
Loans: drawings	—	5.5	2.0	2.0	0.7
Loans: repayments	— 1.2	— 3.2	— 3.5	— 1.9	— 0.4
Portfolio securities	—	—	—	—	—
Other	—	—	1.0	1.0	2.7
Short-term capital:					
Liabilities	— 0.5	0.5	13.1	0.5	— 3.4
Foreign assets	0.5	— 15.5	21.5	— 5.8	— 12.4
Monetary gold	— 1.9	— 1.6	— 1.3	— 0.6	— 0.5
Net errors and omissions	2.2	— 1.8	— 0.3	1.9	1.9
INDIA[d] (Rs.)					
Goods and services	—558	100	—248	— 47	118
Exports, f.o.b.	6,491	5,360	5,476	2,598	3,381
Imports, c.i.f.	—7,714	—5,909	—6,394	—3,014	—3,618
Transportation and insurance	180	184	236	111	139
Investment income	—112	— 52	— 47	— 12	— 49
Government, n.i.e.	98	90	76	45	52
Other	499	427	405	225	213
Private donations	168	145	57	15	16
Private capital	— 19	— 77	74	— 31	— 83
Official donations	119	184	151	47	122
Official and bank capital	687	—324	11	— 8	—143
Long-term capital:					
U.S. food loan	526	—	—	—	—
IBRD loans	27	17	9	8	10
Other	— 27	— 19	41	21	91
Short-term capital:					
Use of IMF resources	—	—	—222	—172	—122
Other liabilities	—445	— 70	194	287	— 65
Foreign assets	608	—252	— 11	—152	— 57
Monetary gold	—	—	—	—	—
Net errors and omissions	—397	— 28	— 45	24	— 30
INDONESIA ($)					
Goods and services	—251	—121	— 41	— 98	..
Exports, f.o.b.	905	669	696	319	..
Imports, c.i.f.	—988	—635	—564	—337	..
Investment income	— 27	— 55	— 70	— 40	..
Transportation and insurance	— 23	— 26	— 17	— 8	..
Non-trade transactions of oil companies	— 53	— 74	— 86	— 32	..
Other	— 65				
Private donations	..	—	1	..	..
Private capital	— 19	1	— 5	— 6	..
Official donations	7	3	2	1	..
Official and bank capital	306	123	42	95	..
Long-term capital:					
Gold and U.S. dollar subscriptions to IMF and IBRD	—	—	— 18	— 18	..
Loans received	76	— 7	— 4	9	..
Other	3	1	—	— 8	..
Short-term capital:					
Use of IMF resources	—	—	15	—	..
U.S. dollar assets, net	93	33	— 9	112	..
Other foreign assets, net	87				
Monetary gold	47	96	58		
Net errors and omissions	— 43	— 6	1	8	..
JAPAN ($)					
Goods and services	193	—226	— 80	—351	2
Exports, f.o.b.[e]	1,276	1,258	1,611	716	890
Imports, c.i.f.	—1,686	—2,050	—2,041	—1,213	—1,013
Transportation and insurance	—162	—183	—178	—103	— 79
Government, n.i.e.[e]	786	802	603	286	237
Other (net)	— 21	— 53	— 77	— 37	— 33
Private donations	27	21	29	16	15
Private capital	38	— 18	13	16	20
Official donations	5	—	—	—	— 15
Official and bank capital	—263	221	25	296	— 41
Long-term capital:					
Gold and U.S. dollar subscriptions to IMF and IBRD	— 68	—	—	—	—
Other	— 4	— 12	— 4	— 4	10
Short-term capital:					
Use of IMF resources	—	62	—	—	—
Other liabilities	43	101	107	108	87
Sterling balances	— 51	125	—107	— 4	— 94
U.S. dollar balances	—174	— 30	130	263	— 48
Other foreign assets	— 21	— 23	— 99	— 65	5
Monetary gold	12	— 2	— 3	— 1	— 1
Net errors and omissions	—	2	13	24	19

G. INTERNATIONAL TRANSACTIONS *(Cont'd.)*

Millions

	1952	1953	1954	First half 1954	First half 1955
PAKISTAN (Rs.)					
Goods and services	−802	−165	−209	− 91	59
Exports, f.o.b.	1,672	1,358	1,120	614	673
Imports, private[c]	−1,696	−718	−742	−370	−302
Transportation and insurance	−188	− 78	− 80	− 39	− 28
Government, n.i.e.[f]	−595	−725	−471	−279	−258
Other	6	− 2	− 37	− 17	− 26
Private donations	− 25	− 33	− 32	− 19	− 13
Private capital	− 38	− 9	33	11	− 10
Official donations	4	276	39	14	79
Official and bank capital	874	− 67	168	85	−115
Long-term capital: Loans received	19	44	60	27	13
U.K. securities	276	− 2	42	7	38
Short-term capital: Liabilities	3	− 5	29	− 1	− 60
Sterling balances	515	− 86	14	54	−104
U.S. dollar balances	1	5	2	− 2	1
Other foreign assets	− 3	− 22	21	− 1	− 2
Monetary gold	− 37	—	—	—	− 1
Net errors and omissions	− 14	− 2	—	—	—

	1952	1953	1954	First half 1954	First half 1955
PHILIPPINES (P.)					
Goods and services	−106	−103	−162	− 30	− 72
Exports, f.o.b.	670	772	783	420	427
Imports, c.i.f.	−862	−968	−975	−482	−580
Transportation and insurance	−102	− 95	−115	− 58	− 68
Investment income	− 37[g]	−110	−113	− 4[g]	− 15[g]
Government, n.i.e.	232	270	239	88	130
Other	− 7	28	19	6	34
Private donations	30	6	7	4	5
Private capital	44[g]	102	88	− 1[g]	11[g]
Official donations	52	38	41	16	20
Official and bank capital	− 20	14	14	− 38	62
Long-term capital	− 16	− 4	− 34	− 35	—
Short-term capital: Use of IMF resources	—	—	—	—	20
Other liabilities	− 4	1	− 4	2	9
Foreign assets	5	18	52	− 5	36
Monetary gold	− 5	− 1	—	—	− 3
Net errors and omissions	—	− 57	12	49	− 26

	1952	1953	1954	First half 1954	First half 1955
THAILAND ($)					
Goods and services	−16.9	−60.0	−61.8	−42.1	3.6
Exports, f.o.b.	329.4	322.6	283.4	127.7	170.5
Imports, c.i.f.	−304.4	−336.3	−311.7	−155.7	−147.2
Non-monetary gold movement	−29.4	−25.7	−16.9	− 7.7	− 9.0
Government, n.i.e.	− 1.6	− 2.3	− 2.8	− 0.6	− 3.0
Other	−10.9	−18.3	−13.8	− 5.8	− 7.7
Private donations	− .1	− 4.4	− 7.1	− 3.4	− 3.1
Private capital	..	..	..	..	..
Official donations	3.0	4.5	6.4	1.5	4.6
Official and bank capital	29.6	52.7	24.0	35.7	−17.2
Long-term capital: Assets, Bank of Thailand	52.3	5.2	3.1	2.3	0.2
Other	7.3	6.7	0.8	0.6	8.0
Short-term capital: Liabilities	—	− 2.6	1.9	− 1.7	7.9
Sterling balances	43.7	34.3	−23.9	− 6.2	− 5.8
U.S. dollar balances	−79.9	15.1	40.5	36.9	−10.1
Other foreign assets	6.7	− 6.0	0.8	3.8	−17.4
Monetary gold	− .5	—	0.8	—	—
Net errors and omissions	−15.6	7.2	38.5	8.3	12.1

GENERAL NOTES: (1) No sign indicates credit, minus sign indicates debit. For foreign balances or foreign assets under short-term official and bank capital: no sign indicates decrease, minus sign indicates increase. (2) Statistics on goods and services except merchandise imports and exports are on a net basis. Figures for the first-half 1954 are not fully comparable with those of whole year 1954.

a. Excludes proceeds used for repayment on a long-term debt to India.

b. Debt repayments, 1954: K.135.2 million, First half 1955: K.68.7 million; part purchase of one-third share in Burma Oil Co. (1954) Ltd., 1954: K.33.3 million, first-half 1955: K.0.8 million. Figure for first-half 1954 excludes debt repayment.

c. Partly f.o.b. and partly c.i.f.

d. Short-term foreign assets include Reserve Bank's holdings of long-term securities.

e. Goods purchased by UN forces under the special procurement programme are included in "Government, n.i.e."

f. Including government imports.

g. Excluding undistributed profits.

	Type of account	Total expenditure	Total revenue	Balance (+) or (−)
AFGHANISTAN (Mn. Afg)				
1949/50	A	461	387	− 74
1950/51	A	670	466	−204
1951/52	A	714	547	−167
1952/53	A	830	614	−216
1953/54	A	852	685	−167
1954/55		1,141RE	983A	−158
1955/56	DE	1,301	674	−627
BRITISH BORNEO (Mn. MS)				
Brunei				
1950	A	7.1	17.3	+ 10.2
1951	A	7.5	69.4	+ 61.9
1952	A	13.8	75.7	+ 61.9
1953	A	22.6	99.0	+ 76.4
1954	RE	30.4	94.3	+ 63.9
1955	E	43.4	100.7	+ 57.3
North Borneo				
1950	A	18.2	16.7	− 1.5
1951	A	24.4	25.0	+ 0.6
1952	A	34.3	23.4	− 10.9
1953	A	28.1	23.0	− 5.1
1954	RE	36.6	22.7	− 13.9
1955	E	36.7	23.7	− 13.0
Sarawak				
1951	A	27.1	44.4	+ 17.3
1952	A	34.6	53.5	+ 18.9
1953	A	42.6	43.3	+ 0.7
1954	RE	59.0	37.5	− 21.5
1955	E	64.3	38.2	− 26.1
BURMA (Mn. K)				
1949/50	A	420	492	+ 72
1950/51	A	518	553	+ 35
1951/52	A	570	664	+ 94
1952/53	A	846	796	− 50
1953/54	A	1,133	979	−154
1954/55	RE	1,182	1,007	−175
1955/56	DE	1,035	722	−313
CAMBODIA (Mn. Ri)				
1952	RE	1,055	1,042	− 13
1953	RE	1,290	1,290	—
1954	RE	2,612	1,635	−977
1955	E	1,742	1,642	−100
CEYLON (Mn. Rs)				
1949/50	A	674	603	− 71
1950/51	A	838	813	− 25
1951/52	A	1,100	847	−253
1952/53	A	1,018	846	−172
1953/54	A	829	909	+ 80
1954/55	RE	995	1,035	+ 40
1955/56	DE	1,055	1,020	− 25
CHINA (Taiwan only, Mn. NT$)				
1950	A	1,296	849	−447
1951	A	1,432	915	−517
1952	A	1,918	1,453	−465
1953	A	2,309	2,125	−184
1954 (Jan-Jun)	A	1,603	1,405	−198
1954/55	E	2,876	2,373	−503
HONG KONG (Mn. HK$)				
1949/50	A	174	255	+ 81
1950/51	A	241	281	+ 40
1951/52	A	269	296	+ 27
1952/53	A	299	371	+ 72
1953/54	RE	315	371	+ 56
1954/55	DE	395	371	− 24
INDIA (Mn. Rs)				
Central Government				
1949/50	A	5,100	4,127	− 973
1950/51	A	5,546	5,041	− 505
1951/52	A	6,178	6,208	+ 30
1952/53	A	6,208	5,100	− 1,108
1953/54	A	6,949	4,840	− 2,109
1954/55	RE	9,611	5,293	− 4,318
1955/56	DE	11,588	5,855	− 5,733
States				
1950/51	A	4,224	3,708	− 516
1951/52	A	4,324	3,800	− 524
1952/53	A	4,244	3,887	− 357
1953/54	A	4,266	4,211	− 55
1954/55	RE	4,715	4,307	− 408
1955/56	DE	5,953	4,475	− 1,478
INDONESIA (Mn. Rp.)				
1951	A	10,922	11,824	+ 902
1952	A	15,322	12,198	− 3,124
1953	A	16,023	13,710	− 2,313
1954	DE	13,512	10,971	− 2,541
JAPAN (1,000 Mn. Y)				
1949/50	A	763	713	− 50
1950/51	A	746	655	− 91
1951/52	A	1,005	808	− 197
1952/53	A	1,169	927	− 242
1953/54	A	1,324	980	− 344
1954/55	E	1,176	959	− 217
LAOS (Mn. Kip)				
1952	RE	310	257	− 53
1953	RE	504	282	− 222
1954	RE	678	297	− 381
1955	E	1,136	295	− 841
MALAYA (Mn. M$)				
Federation				
1950		330E	470A	+ 140
1951		493E	796A	+ 303
1952		716E	792A	+ 76
1953	A	916	660	− 256
1954	RE	973	623	− 350
1955	DE	943	630	− 313
Singapore				
1950	A	95	114	+ 19
1951	A	125	175	+ 50
1952	RE	163	200	+ 37
1953	RE	173	220	+ 47
1954	RE	203	205	+ 2
1955	DE	231	208	− 23
NEPAL (Mn. Rs.)				
1952/53	A	52.5	42.5	− 10.0
1953/54	RE	46.8	37.7	− 9.1
1954/55	DE	59.5	43.6	− 15.9
PAKISTAN (Mn. Rs)				
1949/50	A	1,155	898	− 257
1950/51	A	1,146	1,289	+ 143
1951/52	A	1,645	1,485	− 160
1952/53	A	1,808	1,307	− 501
1953/54	A	1,816	1,142	− 674
1954/55	RE	1,933	1,201	− 732
1955/56	DE	2,427	1,224	− 1,203
PHILIPPINES (Mn. P)				
1949/50	A	534	381	− 153
1950/51	A	523	510	− 13
1951/52	A	635	752	+ 117
1952/53	A	660	700	+ 40
1953/54	A	787	711	− 76
1954/55	RE	860	768	− 94
1955/56	DE	840	827	− 13
THAILAND (Mn. Baht)				
1953	A	4,861	3,942	− 919
1954	A	5,001	4,240	− 761
1955	DE	5,416	4,192	− 1,224
VIET-NAM (Mn. Pr)				
1952	E	3,547	2,941	− 606
1953	E	5,732	4,065	− 1,667
1954	E	16,954	5,470	−11,484
1955	E	15,697	5,122	−10,575

I. MAJOR COMPONENTS OF TAX REVENUE

	Type of account	Total revenue	Tax revenue	Tax on income and wealth	Land tax	Customs duties			Transaction and consumption taxes	Licences, stamp duties, registration fees etc.	Other tax revenue
						Total	Import duties	Export duties			
AFGHANISTAN (Mn. Afg.)											
1949/50	A	387	298	38	61	110	..	..	61		28
1950/51	A	466	354	52	67	171	..	..	30		34
1951/52	A	547	412	67	68	214	..	..	32		31
1952/53	A	614	490	91	77	244	..	..	44		34
1953/54	A	685	546	98	77	302	..	..	37		32
1954/55	A	983	727	95	27	405	..	..	100	30	70
1955/56	DE	674	577	90	27	300	..	..	92	29	39
BRITISH BORNEO (Mn. MS)											
Brunei											
1950	A	17.3	16.1	—	—	2.7	..	..	0.1	0.1	13.2
1951	A	69.4	67.4	40.0	—	2.8	2.3	0.5	0.1	0.1	24.4
1952	A	75.7	71.8	41.6	—	3.1	2.9	0.2	—	0.1	27.0
1953	A	99.0	91.0	61.0	—	4.1	4.0	0.1	—	0.1	25.8
1954	RE	94.3	84.7	54.5		4.3	4.2	0.1	—	0.1	25.8
1955	E	100.7	86.4	50.4		4.6	4.5	0.1	—	0.1	31.3
North Borneo											
1950	A	16.7	12.5	.4	—	11.1	7.1	4.0	—	.1	0.9
1951	A	25.0	20.2	1.5	—	16.4	10.1	6.3	—	.1	2.2
1952	A	23.4	16.8	2.0	—	12.0	8.0	4.0	—	.1	2.7
1953	A	23.0	17.1	3.9	—	11.3	9.0	2.3	—	.4	1.5
1954	RE	22.7	15.4	2.3	—	11.4	9.1	2.3	—	.4	1.3
1955	E	23.7	16.6	2.2	—	12.3	9.4	2.9	—	5	1.6
Sarawak											
1951	A	44.4	38.7	0.2	—	35.5	12.4	23.1	1.5	..	1.5
1952	A	53.5	45.1	19.7	—	23.2	10.3	12.9	1.0	0.3	.9
1953	A	43.3	34.6	9.6	—	22.7	11.9	10.8	0.9	0.3	1.1
1954	RE	37.5	29.0	7.0	—	19.5	10.5	9.0	1.0	0.2	1.3
1955	E	38.2	30.0	8.0	—	16.0	9.8	6.2	1.0	0.3	4.7
BURMA (Mn. K)											
1949/50	A	492	402	49	9	112	100	11	47	9	176
1950/51	A	553	493	45	14	172	158	13	64	10	188
1951/52	A	664	600	52	19	202	193	9	62	11	254
1952/53	A	796	729	54	19	200	..	..	99	4	353
1953/54	A	979	909	332	18	255	239	16	110	13	192
1954/55	RE	1,007	926	232	25	239	224	15	104	12	314
1955/56	DE	722	625	225	29	230	213	17	119	13	9
CAMBODIA (Mn. Ri)											
1952	RE	1,042	928	98	29	423	..	..	325	37	16
1953	RE	1,290	1,067	94	31	536	..	..	331	47	28
1954	RE	1,635	1,291	127	39	624	..	..	398	63	40
1955	E	1,642	1,331	77	29	624	..	..	429	112	60
CEYLON (Mn. Rs)											
1949/50	A	603	538	133	—	356	188	167	44	6	—
1950/51	A	813	737	152	—	528	245	283	49	8	—
1951/52	A	847	770	223	—	487	260	227	50	10	—
1952/53	A	846	768	250	—	444	251	193	61	13	—
1953/54	A	909	822	238	—	503	244	259	67	14	—
1954/55	RE	1,035	936	235	—	622	251	371	62	17	—
1955/56	DE	1,020	931	327	—	530	251	279	57	17	—
CHINA (Taiwan only, Mn. NT$)											
1950	A	849	716	—	—	218	..	..	6	—	492
1951	A	915	524	15	8	334	..	..	152	14	1
1952	A	1,453	1,293	178	—	676	..	..	296	51	92
1953	A	2,125	1,927	175	—	815	..	..	817	61	59
1954 (Jan-Jun)	A	1,405	1,318	79	—	421	..	..	784	34	—
1954/55	E	2,373	2,220	201	—	1,072	..	..	869	77	1
INDIA (Mn. Rs)											
Central government											
1949/50	A	4,127	3,115	1,154	5	1,249	1,003	257	689	20	—
1950/51	A	5,041	3,590	1,257	20	1,572	1,077	474	716	26	—
1951/52	A	6,208	4,607	1,347	29	2,317	1,416	907	884	30	—
1952/53	A	5,100	3,708	1,283	5	1,738	1,181	560	670	14	—
1953/54	A	4,840	3,477	1,071	8	1,587	1,196	385	796	16	—
1954/55	RE	5,293	3,802	1,091	5	1,800	1,403	381	886	20	—
1955/56	DE	5,855	3,997	1,082	5	1,645	1,153	482	1,246	19	—
States											
1950/51	A	3,708	2,696	518	496	—	—	—	1,124	558	—
1951/52	A	3,800	2,799	570	480	—	—	—	1,142	607	—
1952/53	A	3,887	2,973	609	559	—	—	—	1,192	614	—
1953/54	A	4,211	3,236	606	691	—	—	—	1,285	403	251
1954/55	RE	4,307	3,256	612	728	—	—	—	1,298	393	225
1955/56	DE	4,475	3,310	587	816	—	—	—	1,330	400	177

I. MAJOR COMPONENTS OF TAX REVENUE *(Cont'd.)*

	Type of account	Total revenue	Tax revenue	Tax on income and wealth	Land tax	Customs duties			Transaction and consumption taxes	Licences, stamp duties, registration fees etc.	Other tax revenue
						Total	Import duties	Export duties			
HONG KONG (Mn. HK$)											
1949/50	A	255	161	58	—	—	—	—	69	..	34
1950/51	A	281	185	76	—	—	—	—	72	..	37
1951/52	A	296	208	82	—	—	—	—	78	..	48
1952/53	A	371	269	..	—	—	—	—	74	..	..
1953/54	RE	371	271	..	—	—	—	—	70	..	..
1954/55	DE	371	266	154	—	—	—	—	70	..	42
INDONESIA (Mn. Rp)											
1951	A	11,824	5,846	1,344	9	2,713	1,404	1,309	1,615	..	166
1952	A	12,198	6,967	1,750	11	3,215	1,396	1,819	1,809	..	183
1953	A	13,710	6,701	1,961	10	2,495	1,283	1,212	2,049	..	186
1954	DE	10,971	5,657	1,441	11	1,772	1,050	722	1,944	..	489
JAPAN (1,000 Mn. Y)											
1949/50	A	713	600	344	—	1	1	—	128	9	118
1950/51	A	655	454	311	—	2	..	..	132	9	—
1951/52	A	808	600	421	—	13	..	..	156	10	—
1952/53	A	927	702	468	—	21	..	..	198	13	1
1953/54	A	980	758	486	—	34	..	..	220	18	—
1954/55	E	959	772	484	—	25	..	..	239	23	—
KOREA (South, Mn H)											
1949/50	A	..	145	50	9	14	..	..	62	9	—
1950/51	A	..	434	130	163	34	..	..	100	7	—
1951/52	A	..	3,953	1,255	984	451	..	..	1,255	37	—
1952/53	A	..	9,778	2,767	2,944	1,468	..	..	2,391	134	74
1953/54	A	..	20,963	6,861	4,690	3,509	..	..	5,306	456	141
Apr. 1954/June 1955	RE	..	51,122	16,787	7,352	10,533	..	..	15,747	703	—
1955/56	DE	..	63,616	27,538	6,645	10,102	..	..	17,078	2,252	—
LAOS (Mn. Kp)											
1952	RE	257	205	2	—	155	147	8	42	3	3
1953	RE	282	252	2	1	186	181	5	53	5	5
1954	RE	297	266	2	1	193	186	7	59	5	7
1955	E	295	237	9	—	140	140	—	71	11	7
MALAYA (Mn. M$)											
Federation											
1950	A	470	395	52	—	303	148	155	14	18	8
1951	A	796	707	133	—	517	218	299	21	26	10
1952	A	792	685	228	—	397	207	191	21	29	10
1953	A	660	543	164	—	311	199	112	20	31	17
1954	RE	623	510	144	—	301	199	102	19	32	14
1955	DE	630	510	130	—	316	213	103	19	31	14
Singapore											
1950	A	114	89	29	—	—	—	—	52	7	1
1951	A	175	135	55	—	—	—	—	69	12	—
1952	RE	200	164	77	—	—	—	—	75	12	—
1953	RE	220	177	90	—	—	—	—	75	12	—
1954	RE	205	161	75	—	—	—	—	75	7	4
1955	DE	208	164	78	—	—	—	—	74	7	5
PAKISTAN (Mn. Rs)											
1949/50	A	898	713	116	2	422	..	..	165	3	5
1950/51	A	1,289	1,102	134	2	787	..	..	163	4	12
1951/52	A	1,485	1,267	172	2	822	..	..	244	4	23
1952/53	A	1,307	1,047	176	2	612	..	..	225	5	27
1953/54	A	1,142	832	176	3	401	..	..	223	5	24
1954/55	RE	1,201	840	184	3	394	..	..	228	5	26
1955/56	DE	1,224	838	192	3	355	..	..	255	5	28
PHILIPPINES (Mn. P)											
1949/50	A	381	329	61	—	26	26	—	120	123	—
1950/51	A	510	443	98	—	26	26	—	169	150	—
1951/52	A	752	655	123	—	32	32	—	313	187	—
1952/53	A	700	601	129	—	28	28	—	281	163	—
1953/54	A	711	644	121	—	35	35	—	309	179	—
1954/55	RE	766	690	135	—	45	45	—	312	198	—
1955/56	DE	827	747	147	—	150	150	—	250	200	—
THAILAND (Mn. Baht)											
1953	A	3,942	3,187	242	—	1,264	1,049	215	954	92	635
1954	A	4,240	3,809	244	—	1,365	1,144	221	1,107	84	1,009
1955	DE	4,192	3,769	243	—	1,461	1,181	280	1,209	79	777
VIET-NAM (Mn. Pr)											
1952	E	2,941	2,423	—	2	1,690	1,618	72	634	97	—
1953	E	4,065	3,637	389	3	1,851	1,781	70	1,266	128	—
1954	E	5,470	4,969	612	—	2,340	2,263	77	1,802	215	—
1955	E	5,122	4,768	752	12	1,692	1,622	70	2,066	246	—

SPECIAL TABLES

J. MAJOR COMPONENTS OF GOVERNMENT EXPENDITURE

	Type of account	Total expenditure	Defence	Subsidies	Economic services	Social services	Contributions to provincial and local governments	Other current expenditure	Investment	Loans and advances (net)
AFGHANISTAN (Mn Afg.)										
1949/50	A	461	103	..	..	46	..	181	131	—
1950/51	A	670	121	..	..	50	..	221	278	—
1951/52	A	714	132	..	..	67	..	213	302	—
1952/53	A	830	166	..	..	77	..	221	366	—
1953/54	A	852	172	..	..	83	..	271	326	—
1954/55	RE	1,141	202	..	..	87	..	278	574	—
1955/56	DE	1,301	263	..	..	130	..	343	565	—
BRITISH BORNEO (Mn. M$)										
Brunei										
1950	A	7.1	—	—	0.2	.5	—	3.4	3.0	..
1951	A	7.5	—	—	0.2	.7	—	3.7	2.9	..
1952	A	13.8	—	—	0.3	1.0	—	5.3	7.2	..
1953	A	22.6	—	—	0.7	1.7	—	8.5	11.7	..
1954	RE	30.4	—	—	0.7	2.8	—	14.2	12.7	..
1955	E	43.4	—	—	0.7	3.8	—	16.3	22.6	..
North Borneo										
1950	A	18.2	—	—	.6	1.2	—	6.6	9.8	..
1951	A	24.4	—	—	.7	1.4	—	7.9	14.4	
1952	A	34.3	—	—	1.2	2.2	—	8.3	22.6	
1953	A	28.1	—	—	1.8	2.6	—	9.1	14.6	
1954	RE	36.8	—	—	1.7	3.3	—	9.2	22.4	
1955	E	36.7	—	—	2.0	3.7	—	9.9	21.1	
Sarawak										
1951	A	27.1	.1	—	1.4	2.8	—	11.9	10.7	.2
1952	A	34.6	.1	—	1.9	3.4	—	15.7	13.3	.2
1953	A	42.6	.1	—	2.3	3.9	—	15.2	21.1	—
1954	RE	59.0	.1	—	2.8	5.2	—	16.2	34.5	.1
1955	E	64.3	.1	—	2.8	6.4	—	16.9	35.9	2.2
BURMA (Mn. K)										
1949/50	A	420	118	—	25	22	15	184	46	10
1950/51	A	518	137	—	28	37	18	204	85	9
1951/52	A	570	202	—	40	47	19	178	107	— 23
1952/53	A	846	285	—	41	74	23	238	105	80
1953/54	A	1,133	382	—	44	101	32	259	247	68
1954/55	RE	1,182	371	—	46	114	32	254	148	217
1955/56	DE	1,035	381	—	55	111	26	250	100	112
CAMBODIA (Mn. Ri)										
1952	RE	1,055	313	..	53	228	54	299	108	..
1953	RE	1,290	457	..	53	286	14	333	147	..
1954	RE	2,612	1,633	..	73	382	16	402	106	..
1955	E	1,742	740	..	72	347	12	458	113	..
CEYLON (Mn. Rs)										
1949/50	A	674	4	36	77	186	..	187	185	
1950/51	A	838	7	132	87	209	33	186	185	
1951/52	A	1,100	13	239	114	241	37	206	249	
1952/53	A	1,018	15	127	120	254	33	206	263	
1953/54	A	829	17	12	104	251	29	220	196	
1954/55	RE	995	23	—	116	259	26	269	302	
1955/56	DE	1,055	26	—	140	302	30	245	312	
CHINA (Taiwan only, Mn. NT$)										
1950	A	1,296	1,148	1	18	7	—	119	3	—
1951	A	1,432	1,152	—	10	8	—	231	31	—
1952	A	1,918	1,417	—	18	8	—	447	28	—
1953	A	2,309	1,456	480	13	13	—	318	29	—
1954 (Jan-Jun)	A	1,603	1,049	260	12	16	—	255	11	—
1954/55	E	2,876	2,407	—	8	46	—	415	—	—
INDIA (Mn. Rs)										
Central Government										
1949/50	A	5,100	1,644	297	161	172	30	1,296	945	556
1950/51	A	5,546	1,782	351	201	157	156	1,303	1,020	576
1951/52	A	6,178	1,851	300	..	..	333	1,865	1,078	751
1952/53	A	6,208	1,887	48	..	..	495	1,822	904	1,052
1953/54	A	6,949	1,939	28	..	..	378	1,994	1,050	1,560
1954/55	RE	9,611	2,090	—	..	..	730	2,434	1,618	2,739
1955/56	DE	11,588	2,219	—	..	..	800	3,340	1,987	3,242
States										
1950/51	A	4,224	—	..	629	856	—156	1,937	1,289	— 334
1951/52	A	4,324	—	..	676	896	—333	2,059	1,417	— 391
1952/53	A	4,244	—	..	713	967	—367	2,119	1,608	— 796
1953/54	A	4,266	—	..	801	1,034	—317	2,220	1,682	—1,154
1954/55	RE	4,715	—	..	1,039	1,199	—444	2,434	2,450	—1,963
1955/56	DE	5,953	—	..	1,293	1,450	—599	2,473	3,277	—1,941

J. MAJOR COMPONENTS OF GOVERNMENT EXPENDITURE *(Cont'd.)*

	Type of account	Total expenditure	Defence	Subsidies	Economic services	Social services	Contributions to provincial and local governments	Other current expenditure	Investment	Loans and advances (net)
HONG KONG (Mn. HKS)										
1949/50	A	174	4	—	9	18	—	110	32	—
1950/51	A	241	2	—	10	20	—	175	34	—
1951/52	A	269	2	—	13	26	—	185	42	—
1952/53	A	299	35	—	17	35	—	156	56	—
1953/54	RE	315	26	—	18	40	—	172	59	—
1954/55	DE	395	28	—	21	45	—	188	113	—
INDONESIA (Mn. Rp)										
1951	A	10,922	3,269	..	240	1,273	..	5,688	452	..
1952	A	15,322	3,817	..	1,114	1,705	..	7,878	807	..
1953	A	16,023	3,876	..	987	1,618	..	8,961	581	..
1954	DE	13,512	3,000	..	1,077	1,649	1,199	6,087	500	..
JAPAN (1,000 Mn. Y)										
1949/50	A	763	96	170	..	68	98	158	173	
1950/51	A	746	112	60	..	..	108	190	166	110
1951/52	A	1,005	115	27	..	..	120	340	192	211
1952/53	A	1,169	102	52	..	..	145	338	243	290
1953/54	A	1,324	123E	23	..	..	137	359	325	357
1954/55	E	1,176	137	9	..	..	130	472	428	
KOREA (South, Mn. H)										
1949/50	A	..	240	—	130	41	106	..	56	—
1950/51	A	..	1,324	—	39	178	188	..	103	30
1951/52	A	..	3,299	—	205	201	555	..	92	39
1952/53	A	..	9,527	—	161	806	1,746	..	431	—
1953/54	A	..	32,605	—	2,736	2,469	3,459	..	2,110	5,000
Apr 1954/Jun 1955	RE	..	71,237	—	6,962	8,354	11,764	..	27,481	37,616
1955/56	DE	..	91,123	—	10,827	19,523	28,880	..	46,377	40,397
LAOS (Mn. Kp)										
1952	RE	310	—	—	12	66	1	129	89	13
1953	RE	504	—	—	20	86	1	229	146	22
1954	RE	678	—	—	26	130	1	323	175	23
1955	E	1,136	—	—	37	137	1	342	606	13
MALAYA (Mn. M$)										
Federation										
1950	E	330	9	—	17	61	—	199	44	—
1951	E	493	18	—	24	80	—	201	170	—
1952	E	716	161	—	39	119	—	250	147	
1953	A	916	210	—	36	135	—	335	200	
1954	RE	973	208	—	38	150	—	341	236	
1955	DE	943	180	—	40	163	—	313	247	
Singapore										
1950	A	95	3	—	3	17	—	58	14	..
1951	A	125	4	—	4	30	—	74	14	..
1952	RE	163	7	—	12	39	—	86	20	..
1953	RE	173	5	—	12	45	—	86	25	..
1954	RE	203	9	—	9	53	—	101	31	..
1955	DE	231	29	—	7	71	—	111	13	..
PAKISTAN (Mn. Rs)										
1949/50	A	1,155	627	—	17	11	20	188	102	190
1950/51	A	1,146	674	—	22	11	10	232	84	113
1951/52	A	1,645	858	—	..	..	33	337	315	102
1952/53	A	1,808	961	50	..	..	41	386	274	96
1953/54	A	1,816	769	..	..	..	44	421	223	359
1954/55	RE	1,933	773	..	..	..	132	437	357	234
1955/56	DE	2,427	851	..	..	..	141	444	533	458
PHILIPPINES (Mn. P)										
1949/50	A	534	102	..	..	175	37	125	96	..
1950/51	A	523	125	..	..	174	29	102	92	..
1951/52	A	635	182	..	..	176	37	115	125	..
1952/53	A	660	167	..	..	184	49	125	135	..
1953/54	A	787	160	..	36	207	48	175	161	..
1954/55	RE	860	156	..	44	214	52	196	198	..
1955/56	DE	840	154	..	49	224	52	154	207	..
THAILAND (Mn. Baht)										
1953	A	4,861	927	..	..	432	70	2,437	995	—
1954	A	5,001	896	..	..	403	96	2,310	1,296	—
1955	DE	5,416	912	..	..	380	86	2,769	1,269	—
VIET-NAM (Mn. Pr)										
1952	E	3,547	2,459	—	61	69	61	700	197	—
1953	E	5,732	4,091	—	79	48	60	1,116	338	—
1954	E	16,954	13,409	—	71	92	1,546	1,490	346	—
1955	E	15,697	11,405	—	210	180	1,685	1,832	385	—

SPECIAL TABLES

GENERAL NOTES: For tables H, I and J.

A=Accounts, E=Estimates, DE=Draft estimates, RE=Revised estimates.

Figures generally relate to central government transactions only. For India, the transactions of the state governments are also given. To avoid duplication, transfers (interest payments, contributions and loans) from and to the central government are excluded from the state transactions.

In general, only the net results of public enterprises and fiscal monopolies are included; positive balances are shown under revenue and negative balances under expenditure. Currency and mint transactions are excluded. Expenditure includes interest payments before deduction of interest charges to public enterprises and entities; revenue correspondingly includes receipts from these charges.

Revenue

Total revenue excludes proceeds from loans, other form of borrowing and transfers from reserve funds.

Customs duties: divergence between the total under this heading and the sum of the sub-items, import duties and export duties, is due mainly to the inclusion or exclusion arising from land customs, customs on postal parcels, special taxes and refunds.

Transactions and consumption taxes: excise duties, turnover taxes, sales taxes and entertainment duties.

Expenditure

Total expenditure includes current as well as capital outlays and loans and advances (net) granted by the government but it excludes debt redemption, contributions to sinking funds and transfers to reserve funds.

Defence: Expenditure of the military departments plus capital outlay for defence purposes. Expenditure on military pensions is included in "other current expenditure".

Economic services: only the current expenditure on agriculture, industrial development, scientific and technical research, irrigation, forests, ports, lighthouses, commerce, planning etc.

Social services: education, health, social welfare, relief, etc.

Contributions to provincial and local governments cover only the contributions towards meeting current expenditures.

Investment: in general, public works expenditures on gross basis (i.e., including maintenance), capital outlays of government enterprises and departments and grants to provinces and local authorities for the same purpose.

Loans and advances (net): mainly granted to provinces, local authorities and public and private undertakings for capital outlay.

COUNTRY NOTES: For tables H, I and J.

AFGHANISTAN

Expenditure: social services: 1949/50 to 1954/55: expenditure on education only; 1955/56: includes education, health and social welfare expenditures. **Other current expenditure:** in addition to expenditure on general administration this includes expenditure on food subsidies, economic services and contributions to municipalities. **Investment:** includes public works, irrigation and investment of public enterprises.

Revenue: Taxes on income and wealth: includes personal and corporate income taxes only.

BRITISH BORNEO:

BRUNEI: **Investment expenditure:** public works expenditure.

Revenue: Other tax revenue: mining rent and oil royalties.

NORTH BORNEO: **Expenditure:** includes reconstruction and development expenditure; investment expenditure: public works and expenditure on reconstruction and development and war damage compensation payments, etc.

Total **revenue:** excludes grants-in-aid and colonial development and welfare grants from the United Kingdom Government.

Other tax revenues include poll tax and residence tax.

SARAWAK: **Expenditure:** includes net expenditure from reconstruction and development fund; investment; public works, war damage compensation and reconstruction and development.

Revenue:

Other tax revenue: includes lotteries tax, head tax, etc.

BURMA:

Expenditure: 1949/50 and 1950/51: includes the net result of railways, civil supplies and electricity. From 1951/52 onwards these are omitted following the creation of separate boards. 1951/52, 1952/53 and 1955/56: excludes K80 Mn, K69 Mn and K15.5 Mn respectively for subscription to International Bank and Fund; 1952/53, 1953/54 and 1954/55: excludes K12.5 Mn, K 1 Mn and K.5 Mn respectively for payments under ECA Agreement. 1953/54 and 1954/55: excludes K148.1 Mn and K105.5 Mn respectively for repayment of debt to United Kingdom and India. Loans and advances: 1951/52 and later: includes loans and advances to the Railway and electricity Boards for meeting deficits and capital outlays. Losses on the operation of these enterprises were in previous years included on current expenditure and their capital outlays in investment.

Revenue: 1949/50 to 1950/51: includes the rehabilitation contribution of State Marketing Boards to the National Development Fund. 1951/52: includes proceeds from the sale of civil supplies stocks. 1952/53 to 1954/55: includes contributions from the State Marketing Boards for capital outlay. Japanese reparation receipts are excluded.

Transaction and consumption taxes: excise duties plus "commercial taxes"; the later including entertainment tax, hotel and restaurant tax, business premises tax and sales tax. Licenses, stamp duties, etc., net receipts from lottery, rehabilitation contribution and the contribution to the National Development Fund (1949/50 and 1950/51) and for capital outlay (1952/53 and later) from the State Agricultural Marketing and State Timber Board.

CAMBODIA:

Expenditure: Defence expenditure: includes expenditure met from foreign military aid.

Revenue: excludes transfer from cash reserves and foreign military aid.

Other tax revenue: receipts from national lottery.

CEYLON:

Transactions include net results of railway and electricity departments.

Expenditure: includes loan fund expenditure. Defence: excludes capital outlay met from loan fund expenditure. Subsidies: food subsidies. Investment: public works outlay and loan fund expenditure; the latter including capital outlay on defence.

Revenue: includes interest received on war loan to the United Kingdom.

CHINA (Taiwan only):

Expenditure: Subsidies: includes subsidy to sugar cane farmers. Other current expenditure: includes goods, services and transfers to individuals; and repayment of debt which cannot be separated.

Revenue: Tax on income and wealth: includes income tax and inheritance tax. Customs duties: includes import duty, defense surtax (at 20 per cent of equivalent value in local currency of the foreign exchange settlement for import and profits from foreign exchange settlement. Transactions and consumption taxes includes commodity tax, salt tax, monopoly profits, and "other aids" which cannot be separated from defense surtax. Defence surtax has been collected since 1952 at 30 per cent of the income tax, land tax, business tax and many other taxes. Licences, stamp duties, registration fees, etc.: includes stamp duty only. Other tax revenue: includes fines and indemnities, fees, receipts from enterprises and surplus of business receipts from properties, profits from government imports and miscellaneous receipts.

HONG KONG:

Expenditure: includes debt redemptions 1949/50 and 1950/51: expenditure from rehabilitation loan not available. 1951/52 and later: includes expenditure from rehabilitation loan and development fund.

Investment: public works, colonial development and welfare schemes and expenditure from rehabilitation loan and development fund. Loans and advances: housing loans from development fund.

Revenue: Customs: there is no general customs tariff in Hong Kong, import duties being confined to liquor, tobacco, hydrocarbon oils, toilet articles, proprietary medicines and table waters. Taxes on income and wealth: taxes on assessed rateable values and earnings and profits tax. Other tax revenue: internal revenue consisting of taxes on betting, business registration, dance halls, entertainments, estate, restaurant meals and liquors and stamp duties.

INDIA:

Expenditure:

Central Government: Transactions of state trading schemes are excluded.

Includes that from railway, postal and special development funds and loans granted to States met from withdrawals from Special Development Fund; excludes state trading schemes. 1949/50: excludes additional subscription to the International Bank and Fund on the devaluation of the Indian rupee (Rs.791.2 Mn). 1950/51: excludes transfer to the contingency fund (Rs.150 Mn) and payment to Pakistan for its share of the payments to the International Bank and Fund (Rs.26.2 Mn). Subsidies: losses on imported and locally procured food-grains. 1951/52: approximate figure.

States: Contributions to provincial and local governments: data from Central Government budgets. Loans and advances: to municipalities and local boards less loans from the Central Government. The latter figures in 1953/54 to 1955/56 from the Central budgets do not reconcile with figures from states budgets.

Revenue: includes provision for depreciation, etc. of public enterprises.

Central Government: Taxes on income and wealth: exclude share of income taxes payable to the states. Transaction and consumption taxes: includes net revenue from opium monopoly; excludes excise duties transferred to states.

States: Total revenue excludes loans and grants received from the central government. Taxes on income and wealth: include agricultural income taxes. Transaction and consumption taxes include excise taxes transferred from the central excise revenue.

INDONESIA:

Expenditure on economic services: 1951: current and capital outlays on agriculture are included in "other current expenditure." Contributions to provincial and local governments: figures for 1951-1953 are included in "other current expenditure". Investment: comprises current and capital expenditure on government buildings only.

JAPAN:

Data relate to the General Fund but include net deficits or net surpluses of the Special Accounts and government enterprises transferred from or to the General Fund. Profits derived from commercial operations or from lending to private concerns, which were not transferred to the General Fund, were excluded from revenue: to the extent of this exclusion, therefore, **revenue** is understimated. Total **expenditure:** expenditure from General Account, U.S. Aid Counterpart fund. Trust Fund Bureau, Industrial Investment Special Account. Expenditure for the purchase of foreign exchange amounting to Y35,000 million for 1952/53 and Y80,000 million for 1951/52 is excluded.

1953/54: Defence expenditure (Y62,000 Mn) + National Safety Agency (Y61,000 Mn)=Total (Y123,100 Mn).

1954/55: Defence expenditure (Y58,480 Mn) + National Safety Agency (78,830 Mn)=Total (Y137,310 Mn).

Subsidies: price stabilization subsidies (for 1951/52 including subsidies for iron and steel and fertilizers). 1952/53 figure includes outlay to cover losses on special account for foodstuff control: Y11,500 Mn.

Social Services: Facilities for education, expenditure for housing, social relief expenditure, social insurance, tuberculosis expenditure, unemployment expenditure, relief for war widows, pension for soldiers, expenditure for government schools, etc.

Investment: includes General Account expenditure on public works and capital outlay of the National Railways and the Telegraph and Telephone Corporation.

Loans and advances: include grants and loans to government owned enterprises, private industries and agriculture for the expansion of production and also include subscription to bonds of local governments and financial institutions.

Revenue: Excludes carry-over from the preceding year. Taxes on income and wealth: taxes on income, corporation, extraordinary profits, inheritance, capital and revaluation of assets. Customs: customs and tonnage duties.

Transaction and consumption taxes: taxes on liquor, sugar, gasoline, commodities, securities and transportation. Other tax revenue: monopoly profits.

KOREA (Republic of):

Total revenue and expenditure as supplied by the government include borrowing and repayment of loans. They are therefore not published here.

LAOS:

Expenditure: excludes defence expenditure; investment: expenditure on public works: 1955; also includes Special Budget expenditure of Kip 553 million on public works expected to be met from foreign aid funds.

Revenue: Other tax revenue; receipts from national lottery and gambling fees.

MALAYA:

FEDERATION:

Combined expenditure and receipts of the governments of the Federation States and Settlements.

Expenditure: 1954 and 1955; includes M$72.3 Mn and 45.7 Mn respectively on account of advances to War Damage Fund. Defence: 1952-1955; includes "Emergency expenditure" which includes resettlement of displaced civilians. Investment: public works and development loan account expenditure.

Revenue: Direct taxes on income and wealth; income taxes, estate duties and municipal assessments.

SINGAPORE:

Expenditure: 1950 to 1952: includes expenditure from the 3 per cent 1946 Rehabilitation Loan. Investment: expenditure on public works, colonial development and welfare schemes and from 3 per cent 1946 Rehabilitation Loan.

Revenue: Taxes on income and wealth: income and estate taxes. Transaction and consumption taxes: entertainment, liquor, petroleum and tobacco taxes. Licences, stamp duties, etc.; stamp duties, betting, totalizator and miscellaneous taxes.

PAKISTAN:

Expenditure: includes that from railway, postal, development and other funds; excludes currency capital outlays. 1949/50: capital outlays and loans and advances are revised estimates.

Subsidies: 1953: loss on cotton price support scheme. Social services: expenditure on refugees. Contributions to provincial and local governments: mainly grants for development but also general grants for meeting current expenditure.

Revenue: Total revenue includes provisions for depreciation, etc. of public enterprises but excludes the receipts from the sales of foreign aid fund supplies. Total tax revenue excludes taxes transferred to State governments: 1952: Rs.170 Mn; 1953: Rs.189 Mn; 1954: Rs.176 Mn; 1955: Rs.189 Mn and 1956: Rs.207 Mn.

Other taxes: taxes and duties levied under the Supplementary Finance Act of 1950.

PHILIPPINES:

Transactions cover general, special and fiduciary and expenditure only of bond funds: include apportionment to local governments. Public enterprises are excluded. Investment: excludes capital outlays of government enterprises; includes current and capital outlays from counterpart funds.

Total tax **revenue:** includes revenue apportionment to local governments. Taxes on income and wealth: franchise, income, residence, immigrants, estates and inheritance and war profits taxes. Transaction and consumption taxes; gasoline taxes credited to National Highways Fund and excise taxes. Licenses, stamp duties, etc.; motor vehicles taxes credited to the Motor Vehicles Fund, licence fees for business and occupations, documents stamp tax, tonnage dues and forest products taxes.

THAILAND:

Expenditure: contributions to provincial and local governments: earmarked grants for Cost of living allowances, purchase of cars and boats for fire control, repair and maintenance of roads, bridges etc. and hospital expenses; investment: includes appropriations to revolving funds and specific and general development funds.

Revenue: Taxes on income and wealth: income taxes only. Transaction and consumption taxes: include business tax, purchase tax, taxes on spirits, beer, matches, tobacco, entertainment, banking and insurance etc.; also include profits from government monopolies such as opium, tobacco, distillery, transportation and playing cards. Licenses, stamp duties etc. includes receipts from lottery, profits from rice export monopoly and aliens and gambling fees.

VIET-NAM:

The 1955 Budget refers only to South Viet-Nam.

Expenditure: Defence expenditure; includes expenditures met from foreign military aid. Economic services 1955 includes capital expenditure on aviation. Social services: 1955 includes aid to refugee teachers. Transfers to provincial and local governments: 1955: includes sales tax transferred to local governments.

Revenue: 1952-1954 excludes contributions by France etc. for meeting defence expenditures. 1953: excludes transfer from cash reserves.

K. NATIONAL INCOME

	Burma	Ceylon[a]	China[b] (Taiwan only)	Hong Kong	India	Indonesia	Japan	Korea[c] (South)	Malaya[a]	Pakistan	Philippines	Thailand[d]
	Mn. K	Mn. Rs.	Mn. NT$	Mn. HK$	1000 Mn. Rs.	Mn. Rp.	1000 Mn. Yen	Mn. US$	Mn. M$	Mn. Rs.	Mn. P.	Mn. Baht
1938	1,213	595	724	..	..	2,700	20	..	..	..	..	855
1946	..	..	459	..	..	..	361	..	..	..	4,360	9,284
1947	2,631	2,288	521	1,544	..	..	968	..	..	..	5,563	14,407
1948	3,132	2,627	634	1,740	86.5	..	1,962	..	..	..	5,713	16,668
1949	2,901	2,873	820	2,275	90.1	..	2,737	1,770	3,185	16,804	5,662	20,064
1950	2,744	3,868	948	*2,729*	95.3	..	3,361	..	4,500	17,080	6,146	23,377
1951	3,199	4,507	1,029	*2,788*	99.9	70,015	4,535	..	6,465	18,338	6,770	25,026
1952	3,520	4,422	1,125	..	98.6	81,204	5,195	1,384	5,780	18,068	6,865	25,910
1953	4,033	4,491	1,274	..	*106.0*	..	5,878	1,721	5,305	*19,308*	7,234	30,588
1954	3,905	4,772	1,410	..	..	..	6,132	1,641	..	..	*7,438*	..

Sources: United Nations Statistical Office and official national sources except for the following: Hong Kong: Communication from Edward F. Szczepanik, University of Hong Kong; Republic of Korea: *An Economic Programme for Korean Reconstruction*, March 1954, and Office of the Economic Co-ordinator, *Annual Report*, 1955; Malaya: International Bank for Reconstruction and Development, *The Economic Development of Malaya*, Part V.

Time reference: Ceylon, China, Indonesia, Malaya and Philippines: calendar years; Thailand: fiscal year beginning 1 April for 1938, and calender years for 1946-1952; Hong Kong, India, and Pakistan: Fiscal years beginning 1 April; Japan: calendar year for 1938, fiscal years beginning 1 April for 1946-1954; Burma: fiscal year beginning 1 April for 1938, and fiscal years ending 30 September for 1947-1954; South Korea: fiscal years beginning 1 April for 1949, 1952 and 1953, fiscal year ending 30 June for 1954.

a. Gross national product at factor cost.

b. At 1937 prices. Figure for 1933 relates to 1937.

c. Gross national product at market prices.

d. Net domestic product at factor cost.

L. INDUSTRIAL ORIGIN OF NET DOMESTIC PRODUCT

	Total	Agriculture, forestry, fishing	Mining	Manufacturing	Construction	Transportation, communication, utilities	Wholesale and retail trade	Ownership of dwellings	Public administration and defence	Other services
BURMA[a] (million kyats)		[b]								
1951	3,690	1,713	58	380	95	72	876	157	274	65
1952	4,084	1,853	74	416	126	80	994	162	312	67
1953	4,620	1,990	63	470	132	89	1,255	170	380	71
1954	4,593	1,989	48	492	165	121	1,091	180	420	77
1955	*4,836*	*2,158*	*70*	*531*	*220*	*145*	*1,125*	*193*	*410*	*84*
CHINA (Taiwan only; million NT dollars, at 1937 value)										
1937	842	304	31	182	15	63	145	..	43	59
1946	459	196	18	36	4	39	70	..	36	60
1947	521	229	20	38	8	46	81	..	36	63
1948	634	269	23	72	9	57	103	..	33	68
1949	763	316	23	106	11	65	125	..	46	71
1950	888	334	22	125	13	70	137	..	103	84
1951	919	338	24	133	14	77	142	..	105	86
1952	960	341	27	158	18	77	150	..	101	88
1953	1,120	392	27	211	19	96	180	..	103	92
1954	1,256	416	26	254	21	110	199	..	133	97
INDIA (1,000 million rupees)		[c]								
1948	86.7	42.5	0.6	14.2		15.5		3.9	4.0	6.0
1949	90.3	44.9	0.6	14.4		16.0		4.0	4.1	6.3
1950	95.5	48.9	0.7	14.6		16.2		4.1	4.3	6.7
1951	100.1	49.9	0.9	16.4		17.1		4.1	4.5	7.2
1952	98.7	47.9	0.9	16.7		17.1		4.3	4.6	7.2
1953	*106.1*	*54.0*	*1.0*	*17.0*		*17.2*		*4.4*	*4.9*	*7.6*
INDONESIA (million rupiahs)		[d]		[e]		[e]	[f]	[g]		[f] [h]
1951	70,499	39,228	1,548	6,120	865	1,999	10,754	4,600	3,939	1,446
1952	81,639	46,085	1,846	6,700	945	2,492	10,943	5,300	5,304	2,024

L. INDUSTRIAL ORIGIN OF NET DOMESTIC PRODUCT *(Cont'd.)*

	Total	Agriculture, forestry, fishing	Mining	Manufacturing	Construction	Transportation, communication, utilities	Wholesale and retail trade	Ownership of dwellings	Public administration and defence	Other services
JAPAN (1,000 million yen)										
1938	20	4	1	6	1	2	3	1	1	4
1946	361	140	11	59	25	16	38	..	6	65
1947	968	343	30	199	48	36	134	..	22	157
1948	1,962	625	67	454	83	104	240	..	65	324
1949	2,738	751	69	708	102	202	367	..	106	432
1950	3,363	879	99	855	130	251	541	..	132	476
1951	4,538	1,128	162	1,164	161	331	773	..	182	637
1952	5,206	1,218	203	1,233	210	427	844	..	264	808
1953	5,889	1,267	181	1,394	265	488	975	..	305	1,014
1954	6,161	1,319	164	1,444	281	530	1,007	..	354	1,062
KOREA, SOUTH[j] (million US$)		k m					n	m		n
1949	1,770	938	15	182	48	32	136	..	129	288
									156	215
1952	1,384	696	17	145	16	41	96	..	189	271
1953	1,721	823	23	189	42	45	139	..	99	271
1954	1,641	862	35	168	26	42	139	..	120	272
1955	1,752	909	33	184	42	46	148	..		
MALAYA[p] (million M.$)										
1949	3,335	1,260	250				1,825			
1950	5,080	2,430	295				2,355			
1951	7,145	3,405	480				3,260			
1952	5,975	2,435	440				3,100			
1953	5,395	2,145	325				2,925			
PAKISTAN (million rupees)									q	
1949	16,814	10,288	21	1,072	442		1,657	1,005	808	1,521
1950	17,089	10,323	26	1,106	504		1,669	1,036	858	1,568
1951	18,347	11,179	30	1,135	513		1,789	1,053	1,048	1,600
1952	18,081	10,847	37	1,176	529		1,760	1,072	1,032	1,629
1953	*19,308*	*11,470*	*38*	*1,451*[s]	*536*		*1,990*	*1,081*	*1,052*	*1,689*
PHILIPPINES (million pesos)							t	u	q	t, u
1946	4,363	2,006	3	492	132	150	551	..	185	844
1947	5,503	2,440	11	636	243	191	702	..	252	1,128
1948	5,767	2,376	21	656	307	195	716	..	321	1,175
1949	5,722	2,298	32	656	276	193	709	..	377	1,181
1950	6,176	2,492	46	748	239	205	752	..	386	1,308
1951	6,818	2,759	82	938	237	228	838	..	431	1,305
1952	6,922	2,800	102	952	221	242	809	..	487	1,309
1953	7,343	3,088	100	995	237	242	780	..	529	1,372
1954	*7,551*	*3,231*	*101*	*1,042*	*205*	*242*	*795*	..	*532*	*1,403*
THAILAND[a] (million baht)										
1938	958	436	31	95	..	34	258	..	47	57
1946	10,333	6,272	9	1,146	..	139	1,414	..	237	1,116
1947	15,839	9,549	27	1,641	..	203	2,437	..	513	1,469
1948	18,457	11,211	95	1,706	..	224	3,047	..	615	1,559
1949	22,199	13,332	293	2,545	50	278	3,287	..	846	1,567
1950	25,595	14,650	395	3,239	163	316	3,865	..	1,058	1,910
1951	27,592	15,264	537	3,160	456	915	3,756	..	1,219	2,285
1952	29,034	14,212	563	3,341	889	1,200	4,506	..	1,890	2,433
1953	33,855	15,221	528	4,027	2,013	1,592	4,913	..	3,125	2,436

Sources and Time reference: see Table K.

a. Gross domestic product at market price.
b. Including milling and marketing of forest produce.
c. Includes processing, marketing and ancillary activities performed by the farmer in respect of his own produce.
d. Includes profits from government estates.
e. "Utilities" included in "Manufacturing".
f. "Banking and insurance" included in "Wholesale and retail trade".
g. Comprises rent on residential houses, government buildings, private non-residential buildings, and mining concessions.
h. Includes profits of public enterprises.
i. Included in "Other services".
j. Gross national product at market price.
k. Includes an item "Agricultural services and subsidiary industries" which is largely made up of value imputed to services produced in the non-monetary sector of the farm economy.
m. Rental of farm dwellings included in "Agriculture"
n. Income originating from foreign trading included in "Other services".
p. Gross domestic product at factor cost.
q. Including all services of general government.
s. Coverage is more complete than previous years.
t. Banking, insurance and real estate services included in "wholesale and retail trade".
u. Ownership of dwelling included in "other services".

M. EXPENDITURE ON GROSS DOMESTIC PRODUCT

	Total	Consumption expenditure		Gross fixed capital formation			Increase in stocks	Exports less imports of goods and services
		Private	General Government	General Government	Public enterprises	Private enterprises		
BURMA (million kyats)								
1938	1,458	915	114	17	8	122	31	251
1947	2,966	2,524	259	77	47	304	53	−298
1948	3,557	2,893	280	54	37	434	77	−218
1949	3,234	2,399	307	52	32	196	− 20	268
1950	3,132	2,328	321	60	31	239	− 11	164
1951	3,690	2,668	318	89	44	298	45	228
1952	4,084	2,724	395	176	50	384	133	222
1953	4,620	2,931	525	190	69	393	224	288
1954	4,583	3,076	619	273	140	408	182	−115
1955	*4,836*	*3,266*	*600*	*675*		*500*	*125*	*−330*
CEYLON (million rupees)		[a]						
1938	703	549	95	5		34	..	20
1947	2,509	2,193	320	32		98	..	−134
1948	2,817	2,272	352	70		105	..	18
1949	3,077	2,459	394	123		153	..	− 52
1950	4,096	3,118	387	213		222	..	156
1951	4,735	3,614	411	224		332	..	154
1952	4,530	3,773	472	307		302	..	−324
1953	4,641	3,751	535	314		245	..	−204
1954	5,038	3,614	606	298		202	..	318
CHINA (Taiwan only, million NT$)								
1951	11,900	7,625	2,190	1,942			668	−525
1952	16,559	10,982	3,039	2,360			951	−773
INDIA (1000 million rupees)								
1948	94.2	81.7	7.1	2.1		5.8	..	− 2.5
1949	98.5	83.8	6.2	2.7		6.4	..	− 0.6
1950	104.3	87.6	6.6	2.7		7.0	..	0.4
1951	110.0	94.2	6.9	2.9		7.9	..	− 1.9
1952	108.1	89.7	7.1	3.0		7.8	..	0.5
1953	*115.4*	*95.2*	*8.4*	*3.5*		*7.9*	..	*0.4*
INDONESIA (million rupiahs)		[b]					[c]	
1951	82,819	69,041	8,830	1,800		2,100	..	1,048
1952	93,422	78,026	15,000	2,000		2,900	..	−4,504
JAPAN (1000 million yen)								
1938	27	14	7	1		5	1	—
1946	474	333	55	30		48	28	− 19
1947	1,309	915	102	146		117	82	− 53
1948	2,667	1,741	282	258		258	236	−109
1949	3,376	2,261	394	299		324	208	−110
1950	3,973	2,443	435	189		438	360	107
1951	5,543	3,128	521	424		673	584	212
1952	6,193	3,763	682	471		802	385	90
1953	7,141	4,415	768	623		932	404	− 1
1954	7,387	4,690	846	561		871	258	162
KOREA (south million US$)[d]								
1949	1,770	1,440	270		170			−110
1952	1,384	1,069	400		75			−160
1953	1,721	1,325	650		197			−451
1954	1,641	1,426	310		130			−225
1955	1,752	1,445	360		150			−203
MALAYA (million M.$)								
1949	3,550	2,790	348	92		215	70	35
1950	5,345	3,400	369	91		240	− 90	1,335
1951	7,520	4,910	562	168		325	− 35	1,590
1952	6,350	4,600	699	251		405	100	295
1953	5,780	4,370	770	235		340	25	40
PHILIPPINES (million pesos)								
1946	4,801	4,212	359	13		245	126	−154
1947	6,164	5,421	405	53		478	167	−360
1948	6,423	5,396	402	137		508	123	−143
1949	6,393	5,793	448	198		401	67	−514
1950	6,882	5,763	473	188		297	84	77
1951	7,705	6,664	536	162		330	68	− 55
1952	7,887	6,759	597	161		325	100	− 55
1953	8,338	7,035	621	165		395	117	5
1954	*8,567*	*7,276*	*628*	*167*		*384*	*157*	− 45

Sources and Time reference: see Table K.

a. Includes statistical discrepancy and value of exports financed by personal remittances abroad.

b. Excludes expenditure on passenger motor cars and motor cycles.

c. Cash transfers from abroad have been deducted.

d. Gross national product at market prices.

N. DISTRIBUTION OF NATIONAL INCOME

Year	Total	Received by households				Saving of corporations	Direct taxes on corporations	General government income	Less interest on public and consumers' debt
		Compensation of employees	Income from un-incorporated enterprises	Rent and interest	Dividends				
CHINA (Taiwan only, million NT$)									
1951	9,500	2,700	5,464	896	..	59	109	282	—10
1952	13,649	4,451	7,332	1,348	..	64	80	388	—14
HONG KONG (million HK$)						[a]			
1947	1,544	742	479	78	———	191 ———	24	——— 30	———
1948	1,740	860	515	105		201	26	33	
1949	2,275	1,039	741	137		275	45	38	
1950	*2,729*	*1,180*	*992*	*194*		259	46	58	
1951	*2,788*	*1,272*	*869*	*217*		324	55	51	
JAPAN (1000 million yen)			[b]	[c]		[a] [b]			[c] [d]
1938	20	8	6	3	1	1	1	—	..
1946	361	111	236	13	1	— 1	4	— 2	..
1947	968	315	640	19	2	— 5	13	—15	..
1948	1,962	828	1,092	33	9	2	40	—41	..
1949	2,737	1,144	1,335	48	15	37	94	64	..
1950	3,361	1,424	1,511	71	29	194	109	23	..
1951	4,535	1,965	1,932	97	40	221	230	51	..
1952	5,195	2,432	2,186	129	60	178	223	36	—49
1953	5,878	2,771	2,339	180	80	275	231	62	—60
1954	6,132	3,033	2,388	222	95	166	242	56	—71

Sources and time reference: See Table K.

a. Adjusted for net factor income payments to the rest of the world.
b. Before adjustment for stock valuation.
c. For 1938 and 1946 to 1951 interest on public debt is not included in rent and interest.
d. For 1952 to 1954 figures relate to interest on public debt only.

O. RELATIONSHIPS BETWEEN NATIONAL INCOME AND OTHER AGGREGATES

	Gross domestic product at market prices	Less indirect taxes	Plus subsidies	Gross domestic product at factor cost	Less depreciation	Net domestic product at factor cost	Plus net factor income payment from abroad	Net national product at factor cost or national income
BURMA (million kyats)								
1938	1,458	— 80	1	1,379	— 81	1,298	— 85	1,213
1947	2,966	—152	14	2,828	—197	2,631	—	2,631
1948	3,557	—227	13	3,343	—205	3,138	— 6	3,132
1949	3,234	—150	35	3,119	—205	2,914	— 13	2,901
1950	3,132	—204	37	2,965	—213	2,752	— 8	2,744
1951	3,690	—284	29	3,435	—228	3,207	— 8	3,199
1952	4,084	—324	10	3,770	—245	3,525	— 5	3,520
1953	4,620	—350	16	4,286	—255	4,031	+ 2	4,033
1954	4,583	—416	7	4,174	—277	3,897	+ 8	3,905
1955	*4,836*				—290			
CEYLON (million rupees)								[a]
1938	703	——— — 61 ———		642	..	..	— 47	595
1947	2,509	—153		2,356	..	..	— 68	2,288
1948	2,817	—141		2,676	..	..	— 49	2,627
1949	3,077	—175		2,902	..	..	— 29	2,873
1950	4,096	—202		3,894	..	..	— 54	3,840
1951	4,735	—163		4,572	..	..	— 65	4,507
1952	4,530	— 65		4,465	..	..	— 43	4,422
1953	4,640	—185		4,456	..	..	— 35	4,421
1954	5,038	—300		4,738	..	..	— 34	4,704

SPECIAL TABLES

O. RELATIONSHIPS BETWEEN NATIONAL INCOME AND OTHER AGGREGATES *(Cont'd.)*

	Gross domestic product at market prices	Less indirect taxes	Plus subsidies	Gross domestic product at factor cost	Less depreciation	Net domestic product at factor cost	Plus net factor income payment from abroad	Net national product at factor cost or national income
CHINA (Taiwan only) (million NT$ at 1937 value)								
1937	..	..	..	..	..	842	—118	724
1946	..	..	..	..	..	459	—	459
1947	..	..	..	..	..	521	—	521
1948	..	..	..	..	..	634	—	634
1949	..	..	..	..	..	763	57	820
1950	..	..	..	..	..	888	60	948
1951	1,075	—109	1	967	— 48	919	110	1,029
1952	1,160	—118	9	1,051	— 91	960	165	1,125
1953	..	..	..	..	..	1,120	154	1,274
1954	..	..	..	..	..	1,256	154	1,410
HONG KONG (million HK$)								
1947	1,674	—100		1,574	— 11	1,564	— 20	1,544
1948	1,900	—109		1,791	— 17	1,775	— 35	1,740
1949	2,506	—152		2,354	— 25	2,330	— 55	2,275
1950	*2,995*	*—176*		*2,819*	*— 30*	*2,789*	*— 60*	*2,729*
1951	*3,079*	*—195*		*2,884*	*— 36*	*2,848*	*— 60*	*2,788*
INDIA (1,000 million rupees)								
1948	94.2	— 4.5	0.4	90.1	— 3.4	86.7	— 0.2	86.5
1949	98.5	— 4.9	0.4	94.0	— 3.7	90.3	— 0.2	90.1
1950	104.3	— 5.4	0.4	99.3	— 3.8	95.5	— 0.2	95.3
1951	110.0	— 6.3	0.4	104.1	— 4.0	100.1	— 0.2	99.9
1952	108.1	— 5.6	0.4	102.9	— 4.2	98.7	— 0.1	98.6
1953	..	..	..	..	— 4.2	*106.1*	— *0.1*	*106.0*
INDONESIA (million rupiahs)								
1951	82,819	—8,610		74,209	—3,710	70,499	—483	70,015
1952	93,422	—7,486		85,936	—4,297	81,639	—435	81,204
JAPAN[b] (1000 million yen)								
1938	27	— 2	—	25	— 2	20	—	20
1946	474	— 24	26	476	— 24	361	—	361
1947	1,309	—129	37	1,217	— 57	968	—	968
1948	2,667	—353	110	2,424	—108	1,962	— 1	1,962
1949	3,376	—490	211	3,097	—158	2,738	— 1	2,737
1950	3,973	—408	68	3,633	—220	3,363	— 2	3,361
1951	5,543	—519	37	5,060	—298	4,538	— 3	4,535
1952	6,193	—627	51	5,617	—375	5,206	— 11	5,195
1953	7,141	—715	46	6,472	—511	5,889	— 11	5,878
1954	7,387	—745	15	6,657	—585	6,161	— 29	6,132
MALAYA (million M.$)								a
1949	3,550	—215	..	3,335	..	..	—150	3,185
1950	5,345	—265	..	5,080	..	..	—580	4,500
1951	7,520	—375	..	7,145	..	..	—680	6,465
1952	6,350	—375	..	5,975	..	..	—195	5,780
1953	5,780	—385	..	5,395	..	..	— 90	5,305
PHILIPPINES (million pesos)								
1946	4,801	— 173		4,628	—265	4,363	— 3	4,360
1947	6,164	— 270		5,894	—290	5,603	— 40	5,563
1948	6,423	— 341		6,082	—315	5,767	— 54	5,713
1949	6,393	— 346		6,047	—325	5,722	— 60	5,662
1950	6,882	— 371		6,511	—335	6,176	— 30	6,146
1951	7,705	— 516		7,189	—370	6,818	— 48	6,770
1952	7,887	— 575		7,312	—390	6,922	— 57	6,865
1953	8,338	— 563		7,775	—432	7,343	—109	7,234
1954	*8,567*	*— 591*		*7,976*	*—425*	*7,551*	*—113*	*7,438*
THAILAND (million baht)								
1938	958	— 55		903	— 48	855	..	..
1946	10,333	— 532		9,801	— 517	9,284	..	..
1947	15,839	— 640		15,199	— 792	14,407	..	..
1948	18,457	— 857		17,600	— 923	16,677	..	..
1949	22,199	—1,025		21,174	—1,110	20,064	..	..
1950	25,595	— 938		24,657	—1,280	23,377	..	..
1951	27,592	—1,222		26,370	—1,344	25,026	..	..
1952	29,034	—1,697		27,337	—1,427	25,910	..	..
1953	33,855	—1,574		32,281	—1,693	30,588	..	..

Sources and time reference: See Table K.

a. Gross national product at factor cost.
b. Items do not reconcile because of satistical discrepancy.

1. INDEX NUMBERS OF PRODUCTION

1953=100[a]

	Weight	1949	1950	1951	1952	1954	1954		1955				
							III	IV	I	II	III	Oct	Nov
CHINA (Taiwan only)													
Industrial production	100.0	48	53	57	77	105	85	104	154	95	86	..	..
Public utilities	8.6	58	78	90	94	112	110	114	113	113	122	..	..
Electricity	3.8	55	66	82	91	115	111	119	118	115	131	..	..
Mining and Quarrying	3.7	72	72	88	114	115	91	125	133	146	98	..	..
Coal	1.8	67	59	69	96	88	85	96	85	104	94	..	..
Manufacturing	87.7	47	51	54	75	104	83	99	157	93	84	..	..
Food	29.1	62	59	43	66	81	31	67	210	51	24	..	..
Textiles	14.6	20	28	43	67	121	125	123	105	125	124	..	..
Chemicals	8.1	40	50	84	92	114	116	118	125	107	120	..	..
INDIA[b]													
Manufacturing and mining	100.0	78	78	87	95	108	111	115	116	117	..	..	..
Mining (coal)	12.0	88	89	96	101	103	101	108	110	106	..	..	..
Chemicals and allied trades	4.9	44	49	55	78	117	120	130	130	117	..	..	..
Metal manufactures (other than machinery)	9.3	94	100	105	106	117	119	123	125	123	..	..	..
Engineering and electrical goods	5.6	64	77	100	90	124	130	125	139	150	..	..	..
Textiles	61.4	88	80	88	98	104	105	106	..	..	..	..	..
Cotton textiles	43.5	83	76	84	95	103	103	103	104	102	..	..	..
Jute	16.5	106	96	101	110	107	109	118	119	117	..	..	..
Paper	1.5	74	78	94	98	111	111	129	131	127	..	..	..
Manufacture of non-metallic mining products (other than coal and petroleum)	1.7	47	65	75	76	125	128	167	153	107	..	..	..
Manufactures of wood (plywood)	0.2	78	82	116	148	127	116	147	187	193	..	..	..
Food (sugar)	3.5	78	76	86	116	78	70	162	104	774	..	..	..
INDONESIA													
Export products													
General[c]	..	63	82	96	97	108	..	..	..	..	..	..	..
Estate	..	60	64	83	93	103	..	..	..	..	..	..	..
Peasantry	..	66	124	146	118	121	..	..	..	..	..	..	..
Mining	..	64	70	78	88	105	..	..	..	..	..	..	..
Estate products of 7 items	..	61	67	83	97	99	100	99	97	..	..	..	..
JAPAN													
Industrial production	100.0	48	55	74	82	107	103	108	106	113	118	..	..
Public utilities	4.3	70	76	84	91	107	102	111	114	114	111	..	..
Manufacturing and mining	95.7	46	54	74	82	107	103	108	106	113	118	..	..
Mining	12.9	75	79	90	93	95	93	97	94	91	95	..	..
Manufactures	82.8	43	51	72	80	108	104	110	107	115	120	..	..
Non-durable	47.8	36	51	68	79	112	111	119	116	123	131	..	..
Textiles	17.1	37	54	76	87	107	106	114	107	110	115	..	..
Chemicals	16.7	33	48	65	78	123	124	133	133	143	154	..	..
Durable	35.0	48	52	78	82	102	95	96	95	104	106	..	..
Metals	12.9	38	53	78	84	105	97	105	111	119	119	..	..
Machinery and transport equipment	14.6	49	47	74	77	97	88	84	79	90	93	..	..
PHILIPPINES													
Manufactures	100.0	..	..	..	88	112	113	116	115	122	..	..	..
Non-durable manufactures	69.7	..	..	..	90	106	106	106	110	113	..	..	..
Tobacco products	16.2	..	..	..	87	123	113	124	130	137	..	..	..
Textiles	8.5	..	..	..	104	97	106	101	90	73	..	..	..
Footwear and wearing apparel	7.5	..	..	..	86	105	100	119	116	112	..	..	..
Chemicals	19.4	..	..	..	90	105	112	100	116	120	..	..	..
Durable manufactures	30.3	..	..	..	85	125	129	136	126	142	..	..	..
Stone, clay and glass products (including cement)	36.1	..	..	..	92	98	104	89	74	91	..	..	..
Metal products	6.0	..	..	..	66	112	117	123	131	139	..	..	..
Electrical appliances	4.6	..	..	..	105	113	109	128	141	151	..	..	..

a. Original base: *China*, 1951; *India*, 1946; *Indonesia*, 1938; *Japan*, 1950; *Philippines*, 1952.

b. Group indexes compiled by the ECAFE Secretariat on basis of the Interim Index of Production published by Ministry of Commerce & Industry. For details, see footnote b to table 1 in the Section on Asian Economic Statics, *Economic Bulletin for Asia and the Far East*, Vol. IV, No. 3 or 4.

c. Relate to 18 products, including forest products (jungle-wood and rattan).

2. PRODUCTION OF SELECTED COMMODITIES

Monthly averages or calendar months — *Thousand tons*

	1938[u]	1948	1951	1952	1953	1954	1954 III	1954 IV	1955 I	1955 II	1955 III	1955 Oct	1955 Nov
TEA													
Ceylon	9.3	11.3	12.3	12.0	13.0	13.9	10.4	13.7	15.7	15.7	11.7	15.4	..
China (Taiwan only)	..	0.9	1.5	1.0	1.4	1.6	2.5	1.2	0.1	1.8	1.4	..	..
India	..	21.5	23.8	23.2	23.0	24.1	41.9	26.7	3.8	23.9	..	..	..
Indonesia	..	..	3.9	3.1	3.1	3.9	3.6	4.2	4.0	3.7	3.0	..	..
Japan[a]	4.0	2.8	3.0	3.3	..	..	..	..	..	..	..	..	..
Pakistan	..	2.2*	2.0	2.0	2.1	2.1	3.8	2.6	0.2	3.8	7.6	..	..
NATURAL RUBBER[b]													
Cambodia	1.4	1.4	1.3	1.5	1.9	2.0	2.2	2.9	1.4	1.9	2.5	..	..
Ceylon	4.3	8.0	8.9	8.2	8.3	8.0	8.2	9.4	6.4	6.2	8.8	..	..
India	1.3	1.3	1.5	1.7	1.8	1.8	1.8	2.5	1.2	1.8	1.9	..	..
Indonesia	27.0	36.6	69.0	63.4	58.6	62.5	67.4	66.1	53.8	57.7	61.8	..	..
Malaya	30.4	59.1	51.3	49.5	48.6	49.5	54.2	54.1	53.7	49.1	56.4	..	..
Sarawak	1.5	3.4	3.6	2.7	2.0	2.0	1.9	2.7	2.2	4.2	3.5	..	..
Viet-Nam	3.6	2.3	3.1	3.4	4.2	4.3	4.6	5.7	2.7	3.8	*5.0*	..	..
COAL													
China (Taiwan only)	183	138	138	191	199	176	170	191	170	207	187	..	..
India	2,400[v]	2,551	2,915	3,074	3,046	3,113	3,080	3,301	3,287	3,212	..	..	..
Indonesia	121	45	72	81	75	74	77	80	72	62	..	..	..
Japan	3,484	2,822	3,610	3,613	3,877	3,560	3,460	3,648	3,503	3,375	3,429	..	..
Korea (South)	19	67	20	48	72	74	67	92	88	113	104	..	..
Malaya[c] (Federation)	40	32	32	27	24	19	21	18	18	19	17	14	..
Pakistan[d]	..	20	43	51	49	47	33	50	62	49	30	52	..
Viet-Nam	195	30	53	72	70	83	74	88	..	..	..	..	..
PETROLEUM, CRUDE													
Brunei	59	224	415	423	407	399	400	397	395	428	..	..	..
Burma	84	4	9	10	12	15	14	16	16	16	..	..	..
Indonesia	616	361	620	710	852	898	931	962	966	966	..	..	..
Japan	29	13	28	23	25	25	25	26	26	26	27	..	..
Pakistan[e]	..	5	15	18	20	22	22	22	22	22	24	24	..
Sarawak	17	4	4	4	4	6	6	6	9	..	..	..	..
PETROLEUM PRODUCTS[f]													
China (Taiwan only, 1,000 Kl.)	..	19.5	25.5	23.6	27.0	37.0	41.4	33.1	43.5	45.0	56.6	..	..
Indonesia	510.1	..	687.9	760.1	808.2	825.8	848.1	894.3	848.5	873.4	..	..	..
Japan ('000 Kl.)	144.2	14.8	251.7	392.2	505.6	616.7	596.2	680.2	640.5	674.4	684.8	..	..
Pakistan	..	0.7	3.7	4.9	5.4	6.2	6.1	6.3	6.0	6.7	..	..	..
IRON ORE[g]													
Hong Kong	—	—	14	11	10	8	7	7	11	9	9	..	..
India	232	193	310	332	309	333	288	352	389	366	306	336	..
Japan	51[w]	47	97	116	128	136	143	125	80	73	98	..	..
Korea (South)	..	—	—	2	2	3	2	2	2	2	2	..	..
Malaya (Federation)	137	—	72	89	90	103	140	86	56	146	190	192	..
Philippines	77	18	75	97	101	119	120	112	108	137	123	..	..
STEEL (Ingots & Metal for castings)													
China (Taiwan only)	..	0.6	1.0	1.4	2.3	3.9	4.2	4.7	3.7	4.2	4.9	..	..
India	..	106.4	127.0	133.6	127.6	143.4	142.5	152.7	150.6	142.5	..	..	..
Japan	..	142.8	541.8	582.4	638.5	645.0	532.6	641.3	725.9	793.2	784.9	..	..
Pakistan	..	0.2	0.2	0.6	0.9	0.8	0.6	0.9	0.9	1.1	0.9	0.6	..
TIN CONCENTRATES (tons)													
Burma	419	97	138	93	*80*	*80*	*80*	*80*	*80*	*80*	*80*	..	..
China	906	406	*400*	*450*	*525*	*625*	*625*	*625*	*700*	*700*	*700*	..	..
Indonesia	2,517	2,592	2,624	2,964	2,864	3,036	3,464	3,275	2,142	3,022	3,459	3,153	..
Japan	..	10	37	54	62	61	55	66	77	70	76	..	..
Laos & Viet-Nam	135	3	8	12	22	*9*	*13*	*22*	*25*	*25*	*25*	..	..
Malaya (Federation)	3,673	3,794	4,840	4,812	4,763	5,139	5,258	5,295	5,125	5,105	5,311	5,358	..
Thailand	1,255	359	805	802	885	828	822	914	834	848	1,021	984	1,040
TIN METAL (tons)													
Malaya	5,456	4,209	5,581	5,320	5,284	6,025	6,177	6,011	6,104	5,900	6,275	..	..
CEMENT													
Burma	4.9	..	1.4	3.4	3.5	4.9	4.0	5.0	4.7	5.0	4.6	..	..
Ceylon	..	..	5.3	5.1	5.2	7.0	7.9	8.2	7.2	5.3	7.9	9.3	..
China (Taiwan only)	0.2	19.6	32.4	37.1	43.3	44.7	40.5	47.0	48.2	50.4	49.6	..	..
Hong Kong	..	4.4	6.0	5.8	5.3	8.4	9.4	9.7	9.8	9.8	9.1	11.4	..
India	119.0[v]	131.0	271.0	299.5	320.0	372.0	362.1	384.5	379.6	341.6	..	..	..
Japan	473.6	154.9	545.6	593.1	730.7	889.6	939.8	914.5	725.0	928.5	943.2	..	..
Korea (South)	..	1.9	0.6	3.0	3.5	5.1	5.4	5.1	2.9	6.5	5.3	..	..
Malaya (Federation)	..	..	..	..	2.7	7.2	7.3	8.1	8.7	9.0	8.9	9.7	..
Pakistan	..	27.4	42.2	44.9	50.5	57.1	57.6	59.6	60.0	57.4	..	..	..
Philippines	13.9	10.0	26.3	26.4	26.5	26.7	29.7	25.5	27.5	35.9	36.8	..	..
Thailand	7.7‡	6.9	19.1	20.7	24.0	31.9	32.1	36.1	28.5	39.4	31.3	27.5	..
Viet-Nam	22.2	8.2	17.7	18.7	24.2	21.3	19.1	21.3	*13.0*	..	..	..	..
SALT													
China (Taiwan only)	..	30.5	22.9	26.0	13.5	30.7	10.2	35.0	54.6	47.6	2.4	..	..
India	..	197.6	231.3	239.1	268.5	229.9	121.6	62.0	197.2	594.2	..	..	..
Indonesia	6.2	29.7	40.1	26.9	19.0	..	..	..	..	..	..	..	..
Japan[h]	43.2	24.3	36.5	36.1	38.4	35.4	41.7	38.6	28.8	36.2	62.0	..	..
Korea	..	..	7.0	17.0	16.1	15.0	17.0	5.3	0.4	48.5	45.5	..	..
SUGAR[i]													
China (Taiwan only)	..	24.6	29.7	52.0	76.7	53.5	—	39.4	179.2	25.7	—	..	..
India	..	91.0	94.4	126.5	109.3	92.0	2.7	109.4	324.5	99.1	..	..	..
Indonesia	..	..	35.6	38.4	51.6	59.9	171.1	26.4	—	69.7	172.5	..	..
Pakistan	..	0.8*	3.6	5.4	7.3	6.4	—	6.3	16.6	6.7	—	..	..
Philippines	..	30.1	70.7	81.4	85.7	111.1	21.0	111.8	217.5	79.0	..	..	..

2. PRODUCTION OF SELECTED COMMODITIES (*Cont'd*)

Monthly averages or calendar months

Thousand tons

	1938[u]	1948	1951	1952	1953	1954	1954 III	1954 IV	1955 I	1955 II	1955 III	1955 Oct	1955 Nov
VEGETABLE OILS													
China (Taiwan only): Edible Oil	..	0.1	0.5	0.5	0.8	0.7	0.9	0.8	0.8	0.8	0.8	..	..
India: Edible Oil (Vanaspati)	..	11.0	14.6	16.2	16.2	19.5	16.0	18.4	19.8	22.8	..	..	..
Japan: Coconut Oil	1.4‡	1.1	1.3	1.3	1.2	1.6	0.9	2.1	2.2	1.8	2.2	..	..
Others	9.2‡	2.0	4.8	5.0	8.8	9.0	9.6	9.1	11.1	11.1	14.0	..	..
Malaya: Coconut Oil	..	7.7	8.8	8.9	8.0	11.4	13.4	10.8	10.1	9.9	..	..	..
Palm Oil	..	3.8	4.1	3.8	4.2	4.6	4.6	4.7	4.4	4.7	5.1	4.9	..
Pakistan: Vegetable Oil (Hydrogenated)	..	—	0.5	0.7	0.9	0.9	0.7	1.1	1.4	1.2	..	..	..
Philippines: Coconut Oil	17.8[w]	7.7	11.3	12.1	11.8	12.2	..	..	..	..	..	..	..
COTTON YARN													
China (Taiwan only)	—	—	0.6	1.1	1.6	1.9	2.0	2.2	1.9	2.2	2.2	..	..
Hong Kong	..	..	2.4	2.5	2.7	3.3	3.5	3.5	3.2	3.6	3.5	..	..
India	49.3‡[v]	55.0	48.9	54.7	56.9	59.0	60.3	60.6	58.9	59.0	..	..	..
Japan	54.5	10.4	28.1	29.4	34.5	38.7	36.9	38.1	36.3	36.2	33.1	..	..
Korea (South)	..	0.5	0.5	0.8	1.1	1.8	1.9	2.5	2.3	2.1	2.5	..	..
Pakistan	..	0.2	0.7	0.8	4.5	7.3	7.5	8.6	9.1	9.8	10.6	..	..
COTTON FABRICS (Mn metres)													
Ceylon (Mn sq. metres)	0.6	0.5	0.6	0.7	0.6	0.4	0.1	0.5	0.4	0.5	0.5	..	..
China (Taiwan only)	..	1.0	4.7	7.1	10.9	13.7	14.2	13.1	11.2	14.3	14.6	..	..
India	325‡[v]	337	319	350	374	382	385	382	386	379	..	..	..
Japan (Mn sq. metres)	243.6	64.4	151.9	156.0	195.8	222.0	217.5	225.6	210.2	212.9	207.0	..	..
Korea (South)[j]	..	2.1	2.4	5.0	9.9	9.8	9.3	10.6	7.8	6.0	8.1	..	..
Pakistan	..	6.7	9.7	13.3	18.1	26.3	26.1	28.8	32.2	31.0	34.5	..	..
Philippines	..	0.6	0.8	0.5	0.9	1.5	1.8	1.7	1.0	0.8	1.0	..	..
JUTE MANUFACTURES													
China (Taiwan only) (Gunny Bag, 1,000 pcs)	..	228	437	549	701	754	807	764	651	720	212	..	..
India	..	92.2	74.1	80.6	73.6	78.6	80.6	87.3	86.2	85.7	..	..	..
Pakistan	..	..	—	1.5‡	4.2‡	4.5	4.2	6.3	7.4	7.4	..	..	..
PAPER													
China (Taiwan only)	..	0.8	1.7	2.0	2.0	2.5	2.5	2.6	2.4	2.6	2.8	..	..
India	..	4.3	6.7	7.7	8.1	8.7	8.6	10.1	9.9	9.9	..	..	..
Japan[k]	68.4	21.8	59.0	69.8	91.7	101.7	101.8	105.4	170.6	182.0	185.5	..	..
SULPHURIC ACID													
China (Taiwan only)	..	1.4	3.0	3.4	3.8	4.3	4.4	4.6	4.5	2.9	4.2	..	..
India	..	6.8	9.1	8.1	9.2	12.6	13.4	13.5	13.6	11.8	..	..	..
Japan	240.9	162.2	315.8	334.1	357.8	405.9	390.4	415.6	420.2	446.2	437.0	..	..
CAUSTIC SODA													
China (Taiwan only)	..	0.46	0.64	0.73	0.85	1.18	1.14	1.21	1.21	1.17	1.32	..	..
India	..	0.37	1.25	1.44	1.94	2.47	2.44	2.69	2.87	2.74	..	..	..
Japan	24.9	8.80	27.10	22.40	31.00	37.10	34.80	38.20	37.80	41.38	42.51	..	..
SODA ASH													
China (Taiwan only)	..	—	0.02	0.05	0.07	0.10	0.09	0.10	0.11	0.11	0.15	..	..
India	..	2.47	4.02	3.75	4.82	4.09	3.47	4.43	6.37	6.38	..	..	..
Japan	19.4	6.30	18.80	16.70	22.90	25.50	24.60	26.50	27.25	25.10	27.68	..	..
AMMONIUM SULPHATE													
China (Taiwan only)	..	—	0.41	0.48	0.49	0.42	0.41	0.37	0.36	0.38	0.37	..	..
India	..	2.98	4.46	18.65	27.06	28.81	29.84	34.59	33.43	30.41	..	..	..
Japan[m]	72.9	79.3	139.5	162.7	169.4	182.2	175.1	182.7	179.8	197.9	184.0	..	..
CALCIUM SUPERHOSPHATE													
China (Taiwan only)	..	2.36	4.51	5.17	5.76	6.50	6.62	6.85	7.31	4.64	6.47	..	..
India	..	1.81	5.17	3.95	4.09	8.86	9.33	8.37	7.03	5.14	..	..	..
Japan[n]	119.8	79.6	125.5	112.9	126.2	154.5	155.5	167.4	171.5	159.9	154.9	..	..
CALCIUM CYANAMIDE													
China (Taiwan only)	..	0.84	3.96	5.67	6.10	5.98	5.79	5.89	5.51	4.29	7.36	..	..
Japan[p]	17.88	19.04	34.62	43.82	43.79	43.32	41.28	40.60	34.55	59.33	43.33	..	..
ETHYL ALCOHOL (kl)													
India	..	2,867	4,847	5,527	5,679	5,829	4,958	4,603	7,686	7,455	..	..	..
Japan[q]	508	2,457	2,586	1,806	2,136	2,207	2,006	2,163	1,635	2,674	1,618	..	..
ELECTRICITY (Mn kwh)	...												
Cambodia	1	1	1	2	2	2	2	2	2	2	2	2	..
Ceylon	3	5	9	11	12	14	14	14	14	15	15	..	..
China (Taiwan only)	..	70	107	118	130	150	145	155	155	150	171	..	..
Hong Kong	..	13	30	33	36	41	44	42	43	45	51	51	..
India	211[vx]	381	488	510	558	627	639	653	663	704	..	..	..
Japan	2,276	2,965	3,977	4,304	4,642	4,986	4,952	5,032	4,907	5,405	5,181	..	..
Korea (South)	..	41	28	53	61	75	79	83	77	75	74	..	..
Malaya[s] (Federation)	..	..	58	61	64	73	75	78	76	78	..	..	..
Pakistan	..	11	19	25	34	42	45	43	41	50	..	..	..
Philippines (Manila)	12	30	41	46	52	58	60	61	61	64	67	..	..
Singapore	4	11	17	18	23	27	27	28	29	..	..	..	..
Thailand (Bangkok)[t]	3‡	4	6	7	8	13	13	14	15	16	..	..	..
Viet-Nam	8	8	16	19	25	24	28	16	16	16	..	..	..

a. Tea processed for marketing; tea for own consumption excluded.
b. Including latex. c. Lignite. d. Including lignite.
e. Beginning 1954, original data in units of capacity.
f. Comprising gasoline, diesel oil, kerosene and fuel oil for China (Taiwan); motor spirit, aviation spirit, kerosene, heavy oil, wax and paraffin, asphalt and cutback for Indonesia; gasoline, diesel oil, kerosene, fuel oil, gas oil, lubricating oil and others for Japan; motor spirit and kerosene for Pakistan.
g. Approximate metal content of ores as follows: Hong Kong, 45%; India, 65%; Japan and the Philippines, 55%; Malaya, 60%.
h. Production in government licensed plants only.
i. Annual figures relate to the crop year..
j. Members of Spinners and Weavers Association only.
k. Comprising printing, newsprint, writing and drawing, kraft paper, other wrapping, tissue and others.
m. Converted to 20% N_2 content. "Synthetic" and "By-product" are given in total actual production except for 1938.
n. Converted to 16% P_2O_5 content.
p. Converted to 20% N_2 content. q. 94%.
s. Including electricity purchased from Singapore.
t. Consumption of electricity, Bangkok Electric Works and Sam Sen Power Station.
u. 1936 for Japan, unless otherwise indicated.
v. Former British Provinces and Indian States.
w. 1937 x. 1939.

3. VOLUME OF TRAFFIC: RAILWAYS, SEA-BORNE SHIPPING AND CIVIL AVIATION

Monthly averages or calendar months

	1938[i]	1948	1951	1952	1953	1954	1954 III	1954 IV	1955 I	1955 II	1955 III	1955 Oct	1955 Nov
RAILWAYS[a]													
Passenger-kilometres (Mn)													
Burma†	59	40	29	34	47	57	49	59	67	73	59	66	..
Cambodia	3	..	4	3	4	4	4	4	5	5	4	5	..
China (Taiwan only)	69	166	166	146	157	171	166	172	203	195	192	226	..
India‡	2,385	4,925	5,078	4,601	4,741	..	4,473	..	..	..	..	..	..
Japan‡	2,185	6,595	6,421	6,707	6,963	7,253	7,301	7,119	7,090	7,692	7,595	7,991	..
Korea (South)‡	..	236	125	219	262	332	353	371	280	317	299	..	..
Pakistan‡	..	656	827	795	720	..	767	769	*724*	804	..	..	..
Philippinesø	40	24	32	31	32	35	31	37	35	48	..	..	..
Thailand	24	109	152	188	191	196	174	195	225	170	138	139	129
Viet-Nam	71	..	6	6	8	11	11	17	31	34	..	..	..
Freight ton-kilometres (Mn)													
Burma†	95	52	17	24	36	44	42	40	52	51	46	44	..
Cambodia	4	..	5	4	4	5	5	4	2	2	2	1	..
China[b] (Taiwan only)	71	52	78	96	108	113	104	114	125	132	132	152	..
India‡	2,968	3,040	3,820	3,879	4,002	..	3,907	..	..	..	..	..	..
Japan‡	1,305	2,109	3,073	3,227	3,377	3,337	3,155	3,559	3,078	3,363	3,343	3,774	..
Korea (South)‡	..	87	229	256	228	160	155	156	147	170	183	..	..
Malaya	22	26	33	31	31	32	34	31	33	33	..	..	..
Pakistan‡	..	319	418	452	470	..	385	471	*507*	451	..	..	..
Philippinesø	14	10	12	11	11	12	11	12	14	14	..	..	..
Thailand	38	25	45	46	54	57	52	54	58	69	67	64	..
Viet-Nam	24	..	11	13	15	12	9	10	9	7	..	..	..
INTERNATIONAL SEA-BORNE SHIPPING													
Freight Loaded (L) and Unloaded (U) in External Trade (1,000 tons)													
Ceylon[c] L	54	63	60	67	73	92	90	82	95	70	91	85	..
U	109	141	178	174	182	203	180	238	187	224	184	151	..
China (Taiwan only) L	..	13	48	78	121	85	74	68	96	99	111	107	..
U	..	22	79	117	109	142	150	154	122	180	171	133	..
Hong Kong L	..	104	162	128	126	126	127	131	136	121	147	156	..
U	..	236	312	284	279	303	294	325	351	354	332	345	..
Indonesia L	916	432[d]	749	821	1,016	1,062	1,112	1,230	975	983	982	1,111	..
U	167	160[d]	212	367	347	326	337	349	266	241	263	..	..
Japan[e] L	1,092	153	302	421	413	476	487	585	617	646	622	649	..
U	2,771	539	1,728	1,978	2,607	2,792	2,664	2,586	2,819	3,026	3,175	3,328	..
Korea (South) L	..	3	8	18	12	9	9	9	6	10	7	..	..
U	..	3	5	39	95	82	106	107	269	184	91	..	..
Pakistan‡ L	..	..	109	97	101	104	83	136	114	112	109	145	..
U	..	..	290	337	278	210	213	193	215	255	220	219	..
Philippines L	257	50[k]	260	368	375	442	452	396	198	423	..	..	..
U	194	193[k]	220	215	283	251	276	265	256	252	..	..	..
Singapore[f] L	..	121	217	198	419	429	431	439	428	..	..	..	..
U	..	163	410	401	675	745	785	742	775	..	..	..	..
Thailand L	..	..	165	149	143	138	148	160	158	175	158	158	133
U	..	..	75	94	107	108	101	100	108	123	115	124	126
Viet-Nam (Saigon) L	..	..	39	23	17	73	81	75	75	56	64	77	..
U	..	..	74	100	106	164	171	179	182	123	120	131	..
Entrances (E) and Clearances (C) of Vessels with Cargo in External Trade (1,000 net registered tons)													
Burma[g] E	311	118	106	98	104	124	101	110	120	114	109	102	..
C	361	157	138	132	146	150	174	183	154	164	136	140	..
India E	760	646*	777	773	750	753	743	818	839	770	806	..	..
C	793	567*	649	739	884	800	718	917	761	689	717	..	..
CIVIL AVIATION[h]													
Passenger-kilometres (Mn)													
Burma	..	..	4.15	3.26	3.64	3.49	2.14	3.29	4.02	4.21	3.03	..	..
Ceylon	—	0.36	2.76	2.47	2.19	0.77	0.72	0.74	0.78	0.76	..	..	..
China (Taiwan only)	..	..	1.61	2.49	3.04	5.26	4.93	4.82	3.32	3.63	3.83	..	..
India	0.11[j]	23.65	34.49	32.46	32.15	36.70	36.66	39.78	40.19	..	..	..	..
Indonesia	..	8.49	13.30	13.28	14.03	15.01	15.48	15.89	16.57	20.13	21.53	19.80	..
Pakistan	..	..	5.41	5.81	3.46	4.88	5.48	6.51	8.14	9.59	..	..	..
Philippines	0.21	14.57	17.47	17.78	18.97	10.84	8.07	9.85	9.56	11.26	..	..	..
Thailand	—	0.93	2.01	2.26	2.60	3.35	3.15	3.64	3.44	4.22	4.09	4.79	..
Freight ton-kilometres (1,000)													
Burma	..	..	132	118	148	135	79	136	141	101	102	..	..
Ceylon	—	2	196	159	89	12	12	12	10	14	..	..	..
China (Taiwan only)	..	..	217	260	182	308	289	333	180	211	150	..	..
India	34[j]	475	2,204	2,180	2,203	2,357	2,316	2,777	2,479	2,479	..	..	..
Indonesia	..	389	595	595	620	621	607	614	624	631	681	709	..
Pakistan	..	..	98	167	153	147	169	137	136	175	..	..	..
Philippines	..	540	793	817	778	398	283	346	310	..	..	..	..
Thailand	1[j]	17	59	85	140	151	138	150	114	107	103	102	..

a. Railway traffic coverage: *India* and *Pakistan*, class I railways; *Indonesia*, postwar data relate to Federal area only; *Japan*, State Railways only; *Philippines*, Manila Railroad Company.

b. Including service traffic.

c. 1938-53, port of Colombo only.

d. Beginning 1948 Federal area only.

e. Cargo carried by steel vessels only; excluding military goods.

f. Including coastwise traffic of Malaya.

g. Total number of entrances and clearances made during each voyage but excluding sailing vessels. Annual figures relate to 12 months ending September of postwar year stated.

h. Scheduled domestic and international routes.

i. Pre-war data relate to 1936 for Japan, 1939 for Malaya, and April 1938 to March 1939 for Burma and Thailand; pre-war figures for India include former British Provinces and Indian States for both railway traffic and sea-borne shipping.

j. Including non-revenue traffic.

k. Manila only.

4. VALUE OF EXPORTS AND IMPORTS AND BALANCE OF TRADE

Monthly averages or calendar months

Millions

		Exports	Imports	Balance	Exports	Imports	Balance	Exports	Imports	Balance	Exports	Imports	Balance	Exports	Imports	Balance	
		BURMA (K.)			CAMBODIA[a] (Ri)			CEYLON (Rs.)			INDIA[b] (Rs.)			CHINA[c] (Taiwan only, NTS)			
1938		41‡	18‡	+23	—	—	—	24	20	+ 4	141	131	+ 10	..	..	..	ICA imports
1948		63†	49†	+14	3	5	— 2	84	83	+ 1	381	485	—104	..	..	..	..
1951		82	54	+28	20	8	+12	159	130	+29	653	712	— 59	90	99	— 9	42
1952		105	76	+29	33	14	+19	125	142	—17	516	674	—158	122	147	—25	64
1953		84	70	+14	161	124	+37	131	134	— 3	443	481	— 38	165	136	+27	92
1954		95	81	+14	183	165	+18	151	116	+35	469	483	— 19	121	151	—30	125
1954	III	79	88	— 9	188	..	..	169	116	+53	478	492	— 14	98	149	—51	158
	IV	89	84	+ 5	231	..	..	153	116	+37	578	545	+ 33	89	172	—83	109
1955	I	99	84	+15	112	121	— 9	178	119	+59	510	556	— 46	140	140	—	91
	II	112	69	+43	92	110	—18	139	123	+16	440	513	— 73	155	128	+27	188
	III	..	..	..	114	171	—57	150	116	+34	535	498	+ 37	184	125	+59	130
	Oct.	..	..	..	..	..	..	181	122	+59	..	..	..	..	..	..	..
	Nov.	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
		INDONESIA[d] (Rp.)			KOREA[e] (South,H)			LAOS[f] (Kp)			MALAYA (MS)			HONG KONG (HKS)			
1938		57	41	+ 16	..	..	..	—	0.4	— 0.4	50	46	+ 4	51	52	— 1	Exports, domestic
1948		87	94	— 7	6	7	— 1	0.4	2.7	— 2.3	147	149	— 2	134	173	— 39	
1951		409	276	+133	41	102	— 61	2.7	11.1	— 8.4	506	396	+110	372	408	— 36	..
1952		888	900	— 12	167	587	— 420	3.8	27.7	—23.9	326	323	+ 3	243	316	— 73	..
1953		798r	726r	+ 72r	327	1,859	—1,532	2.8	31.6	—28.8	252	270	— 18	228	323	— 95	53
1954		813	598	+215	556	2,887	—2,331	0.9	47.0	—46.1	259	262	— 3	202	286	— 84	57
1954	III	879	595	+284	449	3,135	—2,686	..	..	..	272	266	+ 6	205	288	— 83	58
	IV	921	489	+432	447	3,668	—3,221	..	..	..	280	282	— 2	214	312	— 98	56
1955	I	760	502	+258	622	3,587	—2,965	3.8	49.2	—45.4	321	305	+ 16	202	311	—109	58
	II	793	524	+269	873	4,170	—3,297				302	300	+ 2	194	303	—109	57
	III	888	588	+300	663	4,032	—3,369	..	..	..	389	339	+ 50	212	291	— 79	64
	Oct.	1,056	685	+371	..	..	..	..	..	..	..	..	..	224	314	— 90	..
	Nov.	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
		NORTH BORNEO (MS)			PAKISTAN[g] (Rs.)			PHILIPPINES[h] (P.)			THAILAND (Baht)			JAPAN[i] (1,000 Mn Y.)			
1938		0.8	0.5	+0.3	..	..	..	19.4	22.1	— 2.7	17‡	11‡	+ 6	0.2	0.2	—	Special procurement contracts awarded (US$)
1948		2.5	2.1	+0.4	77	71	+ 6	53.0	97.6	—44.6	174	146	+ 28	4.3	5.0	— 0.7	
1951		9.6	5.9	+3.7	210	146	+64	68.3	81.7	—13.4	373	309	+ 64	40.7	61.4	—20.7	29.5
1952		5.4	5.9	—0.5	147	168	—21	58.7	70.5	—11.8	487	473	+ 14	38.2	60.9	—22.7	25.6
1953		4.7	5.5	—0.8	121	97	+24	67.3	76.2	— 8.9	492	552	— 60	38.2	72.3	—34.1	37.0
1954		6.4	6.2	+0.2	99	90	+ 9	67.5	80.4	—12.9	479	585	—106	48.9	72.0	—23.1	19.9
1954	III	6.6	6.7	—0.1	75	97	—22	68.0	76.4	— 8.4	493	619	—126	50.1	59.8	— 9.7	28.1
	IV	7.2	5.9	+1.3	106	97	+ 9	62.2	86.4	—24.2	523	541	— 18	59.1	58.7	+ 0.4	7.9
1955	I	7.4	6.4	+1.0	116	97	+19	65.6	89.3	—24.0	586	500	+ 86	51.9	69.2	—17.3	10.0
	II	7.9	7.1	+0.8	110	71	+39	76.6	101.5	—24.9	608	556	+52	55.2	77.5	—22.3	19.3
	III	..	..	..	118	95	+23	*63.0*	*75.1*	*—12.1*	*374*	*582*	—208	61.5	71.0	— 9.5	16.8
	Oct.	..	..	..	123	71	+52	..	..	..	*360*	*614*	—254	68.0	73.1	— 5.1	20.5
	Nov.	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
		VIET-NAM[j] (VN Pr.)															
1938		..	..	..													
1948		..	..	..													
1951		211	510	—299													
1952		165	751	—586													
1953		155	881	—726													
1954		164	946	—782													
1954	III	116	939	—823													
	IV	222	1,030	—808													
1955	I	201	720	—519													
	II	200	827	—627													
	III	*168*	*554*	*—386*													
	Oct.	..	..	..													
	Nov.	..	..	..													

GENERAL NOTES: Special trade system for Cambodia, China, Indonesia, Korea, Laos and Viet-Nam; general trade system for other countries.

a. Prior to 1953, excluding trade with Laos and Viet-Nam.

b. For 1938, former British Provinces and Indian States. For 1948, figures on sea-borne and air-borne relate to Apr-Dec. only; overland, twelve months commencing Apr. 1948. From 1952, imports include special imports of grain, pulse and flour.

c. For imports, excluding ICA/FOA/MSA/ECA imports.

d. From 13 Mar. 1950 to 3 Feb. 1952 inclusive, excluding value of exchange certificates. For 1 Jan.–3 Feb. 1952, import and export values are based on 3 times of official exchange rate and from 4 Feb. 1952 onwards they are based on official exchange rate of the Bank Indonesia.

e. For exports: Up to Mar. 1951, valued f.o.b.; from Apr. 1951 valuation based on domestic market prices. For imports: excluding Government imports, military supplies and various aid goods; up to Mar. 1951, valued c.i.f.; from Apr. 1951 valuation based on local market prices excluding distributive margins and net of import duties and excise.

f. Prior to 1951, excluding trade with Cambodia and Viet-Nam.

g. For 1948, figures exclude overland trade.

h. Imports valued f.o.b.

i. Figures under column for 1938 relate to 1936; they have been adjusted to include trade with Korea and Taiwan. Postwar imports include aid imports.

j. Prior to 1955, excluding trade with Cambodia and Laos.

5. DIRECTION OF INTERNATIONAL TRADE

Quarterly averages or quarters

Mn. dollars

TRADE WITH	Year and Quarter	BURMA[a]		CEYLON		CHINA (Taiwan only)		HONG KONG		INDIA[c d]	
		Exports	Imports	Exports	Imports	Exports	Imports[b]	Exports	Imports	Exports	Imports
1. All countries	1948	57.2	45.0	76.4	75.1	..	..	101.1	130.8	342.8	507.4
	1950	39.4	28.6	82.0	61.4	18.1	22.9	164.4	166.4	293.0	284.2
	1951	51.6	34.4	100.0	82.0	24.6	21.4	195.2	214.0	411.4	453.6
	1952	66.0	48.0	78.8	89.6	29.1	28.2	127.4	165.7	324.9	419.2
	1953	59.4	44.2	82.3	84.5	31.9	26.4	120.8	170.6	279.0	297.8
	1954	60.1	50.9	90.0	73.4	23.3	28.9	120.3	164.9	292.4	307.4
	1954 II	71.1	50.6	82.6	76.6	39.8	24.7	119.2	167.5	238.4	305.0
	III	49.6	55.8	101.9	73.1	18.2	28.6	123.0	165.0	297.6	310.2
	IV	56.2	52.8	92.4	73.2	17.8	32.9	123.4	175.0	368.3	343.7
	1955 I	*62.2*	52.8	108.3	74.8	27.3	26.9	126.0	184.6	319.3	352.2
	II	*70.7*	*43.7*	83.8	77.2	29.9	24.6	113.5	169.9	276.0	322.7
	III	..	..	91.1	72.6	35.5	23.9	*110.9*	*152.9*	*348.4*	*313.4*
2. ECAFE Region (including Japan)	1948	50.0	14.4	4.6	26.3	..	..	60.9	53.8	95.2	121.5
	1950	33.2	17.5	4.5	28.8	11.6	12.9	117.2	88.4	68.3	47.7
	1951	42.4	20.0	7.6	31.2	19.9	14.4	149.4	103.6	78.7	110.6
	1952	51.6	28.7	12.0	32.6	24.6	17.5	100.2	90.2	82.6	67.6
	1953	45.0	22.9	16.3	34.8	20.7	15.2	90.0	93.4	53.3	40.4
	1954	50.2	26.3	16.0	31.6	17.8	18.7	72.5	76.1	*46.2*	*59.4*
	1954 II	61.1	29.2	8.1	33.9	33.3	15.0	72.2	74.6	41.0	45.7
	III	42.4	29.0	21.6	28.8	13.5	19.3	74.3	74.8	38.2	64.5
	IV	44.7	26.5	17.2	35.4	11.7	20.9	73.8	93.0	54.0	91.5
	1955 I	*49.7*	26.2	9.3	29.3	25.2	15.2	66.5	85.7	50.1	71.2
	II	*55.9*	*17.2*	8.1	31.9	22.8	15.1	61.4	87.4	51.4	49.9
	III	..	..	9.3	32.2	26.6	16.1	*67.5*	*90.1*	*64.6*	*49.4*
3. Japan	1948	0.1	0.3	0.1	1.0	..	..	3.1	5.0	3.4	4.8
	1950	5.1	3.0	—	1.6	6.6	7.2	5.3	10.0	3.9	3.9
	1951	7.2	5.9	0.4	4.2	12.3	10.6	8.4	17.2	9.6	11.6
	1952	8.2	7.2	0.5	5.4	15.9	12.6	5.4	21.1	13.4	10.2
	1953	11.2	7.3	0.5	3.6	14.5	11.7	9.7	16.8	14.2	6.5
	1954	14.6	11.2	0.3	4.0	11.9	16.1	5.0	20.3	8.5	8.6
	1954 II	28.7	11.2	0.2	3.1	21.1	12.4	4.2	19.6	6.2	5.7
	III	2.2	12.4	0.2	4.8	10.1	16.9	4.9	22.2	5.6	7.9
	IV	2.4	12.3	0.4	5.4	9.6	19.8	5.7	26.2	11.7	14.2
	1955 I	*12.3*	13.0	0.6	6.7	20.5	12.3	5.9	21.5	9.9	11.9
	II	*26.6*	*9.5*	0.3	2.8	15.6	13.2	4.6	23.3	10.3	12.0
	III	..	..	0.6	5.1	20.3	13.7	*6.1*	*21.7*	*15.1*	*13.8*
4. Western Europe	1948	5.8	23.9	30.7	16.4	..	..	8.9	32.6	106.8	159.5
	1950	2.5	8.0	32.1	15.6	1.6	1.5	15.8	32.4	95.4	90.2
	1951	5.4	11.6	50.4	25.5	0.7	1.6	17.6	70.0	147.8	129.9
	1952	8.4	14.6	32.4	27.2	1.3	2.6	9.8	50.6	98.9	126.2
	1953	6.4	16.9	30.4	27.3	3.8	3.1	10.5	50.9	102.7	126.8
	1954	5.4	20.2	32.7	22.9	1.4	2.8	10.6	42.4	120.8	134.9
	1954 II	3.8	18.1	37.0	21.3	1.1	3.3	9.4	40.4	88.8	131.9
	III	4.3	21.9	33.4	23.9	2.0	3.1	10.5	44.9	122.7	138.4
	IV	*6.2*	21.0	34.4	21.9	2.1	2.0	11.3	41.0	172.2	137.1
	1955 I	*9.9*	21.2	40.2	25.3	0.8	1.7	15.3	45.1	134.3	142.9
	II	*7.6*	*18.9*	37.3	23.8	0.5	1.3	14.1	39.0	100.2	150.0
	III	..	..	33.9	23.1	2.8	0.7	*16.5*	*37.3*	*125.0*	*146.5*
5. United Kingdom	1948	5.1	21.1	22.9	13.2	..	..	4.9	19.0	74.2	115.6
	1950	1.4	6.7	19.3	12.2	0.2	0.8	8.2	17.7	64.4	61.7
	1951	3.3	8.4	30.8	18.1	0.5	0.8	10.4	27.1	103.9	75.0
	1952	6.2	10.8	21.9	20.2	1.1	0.9	3.6	20.6	66.4	78.4
	1953	4.4	11.8	20.4	19.0	2.1	1.2	5.2	20.8	78.5	73.8
	1954	3.9	12.5	26.0	15.4	0.7	1.0	7.1	16.2	92.1	75.5
	1954 II	2.6	12.0	32.2	15.2	0.8	1.3	6.0	16.4	62.8	78.0
	III	3.6	14.0	25.8	16.3	0.8	1.1	6.9	17.2	96.4	78.4
	IV	4.2	10.9	27.3	14.7	0.9	0.6	7.7	13.8	136.6	68.1
	1955 I	*6.4*	12.6	29.6	16.6	0.1	0.7	10.5	21.0	95.0	81.4
	II	*4.6*	*12.0*	28.3	14.4	0.3	0.3	10.0	18.9	64.0	81.6
	III	..	..	23.2	16.3	1.6	0.3	*11.5*	*16.8*	*90.5*	*75.9*
6. Eastern Europe	1948	—	0.1	0.5	0.2	..	..	1.0	0.8	6.4	5.3
	1950	—	0.1	0.1	0.4	—	—	—	0.9	1.5	3.0
	1951	—	0.1	0.4	0.9	—	—	—	1.5	5.0	3.9
	1952	0.1	0.1	0.8	0.6	—	—	—	0.1	1.9	2.7
	1953	—	0.2	—	—	—	—	—	1.0	1.8	2.0
	1954	0.2	0.6	—	—	—	—	—	1.0	2.8	2.6
	1954 II	0.6	1.0	—	—	—	—	—	1.0	3.1	2.2
	III	—	0.3	—	—	—	—	—	1.4	1.4	2.4
	IV	—	1.0	—	—	—	—	—	0.5	2.5	3.6
	1955 I	*0.2*	0.2	—	—	—	—	—	0.7	2.7	5.7
	II	2.5	*0.6*	—	—	—	—	—	0.6	2.4	3.5
	III	..	..	—	—	—	—	—	*0.7*	*1.4*	3.6

5. DIRECTION OF INTERNATIONAL TRADE *(Cont'd)*

Quarterly averages or quarters

Mn. dollars

TRADE WITH	Year and Quarter	INDONESIA		JAPAN		MALAYA		PAKISTAN[c e]		PHILIPPINES	
		Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports[f]
1. All countries	1948	98.7	116.2	64.6	170.6	203.2	210.4	154.6	101.4	79.4	146.5
	1950	199.9	110.0	205.0	242.5	328.0	238.1	124.0	97.6	84.3	85.6
	1951	307.7	201.5	338.6	498.8	496.3	388.4	190.9	133.7	102.4	122.5[r]
	1952	227.8	231.0	318.2	507.0	320.0	316.3	133.1	152.4	88.0	105.8[r]
	1953	204.9	188.2	318.7	602.4	246.6	263.6	109.7	87.5	101.0[r]	114.2[r]
	1954	214.0	157.3	407.3	599.8	254.0	256.4	89.7	81.2	101.3	120.7[r]
	1954 II	191.0	166.2	376.7	688.7	244.8	248.7	89.8	63.7	102.1	126.0[r]
	III	231.2	156.7	417.2	498.7	267.1	261.1	68.3	88.4	102.0[r]	114.6
	IV	244.1	128.3	492.4	488.9	274.8	275.9	96.1	88.4	93.4[r]	129.7
	1955 I	200.0	132.1	432.4	576.5	314.3	299.1	105.6	87.9	98.4[r]	134.0
	II	207.7	137.8	459.7	645.5	296.1	294.3	99.6	65.8	114.9	152.2
	III	*233.6*	*154.8*	*512.1*	*591.7*	*381.4*	*332.3*	*105.0*	*77.3*	*94.5*	*112.7*
2. ECAFE Region (including Japan)	1948	25.0	33.7	26.4	23.0	49.8	96.9	99.6	56.7	7.2	14.9
	1950	79.4	44.2	88.9	73.2	83.9	153.7	48.7	42.5	7.3	9.6
	1951	121.4	83.6	156.2	122.2	118.0	242.0	85.0	49.5	9.0	19.3
	1952	75.1	91.6	143.1	129.2	91.3	181.6	61.0	57.7	10.8	14.7
	1953	70.2	77.3	139.1	160.3	77.2	153.0	36.9	11.9	13.4	11.7
	1954	85.2	64.6	167.7	139.5	73.4	147.5	26.4	15.4	14.4	17.6
	1954 II	75.3	74.1	168.9	157.4	73.5	137.9	34.5	15.3	13.5	15.3
	III	96.5	55.3	155.2	124.7	77.8	151.5	15.5	18.2	12.7	17.3
	IV	90.5	43.2	192.2	125.1	76.4	164.3	23.4	17.1	18.0	20.3
	1955 I	70.5	36.3	159.9	148.4	78.5	177.3	24.3	18.0	12.3	24.7
	II	63.7	38.0	155.1	200.6	77.6	169.7	45.2	14.5	19.5	24.7
	III	*78.0*	*50.2*	*167.2*	*179.1*	*83.9*	*211.6*	*47.9*	*22.5*	*18.6*	*25.4*
3. Japan	1948	2.4	18.0	—	—	2.3	1.6	0.9	0.7	3.9	0.5
	1950	2.7	11.0	—	—	9.4	7.6	11.0	13.1	5.5	3.6
	1951	10.0	37.7	—	—	12.8	19.9	19.2	19.5	7.5	8.2
	1952	6.1	31.7	—	—	12.6	20.4	22.0	27.9	9.6	4.6
	1953	9.3	31.7	—	—	12.8	10.5	21.4	4.5	12.0	5.1
	1954	12.5	34.2	—	—	13.5	12.0	7.8	8.7	12.6	7.3
	1954 II	8.0	45.9	—	—	11.2	10.6	12.3	7.7	11.1	6.8
	III	18.1	24.7	—	—	12.7	13.7	5.8	13.9	11.0	7.0
	IV	15.8	24.5	—	—	15.3	15.8	5.4	9.8	15.6	8.4
	1955 I	16.5	21.8	—	—	18.5	20.5	16.2	13.8	11.5	11.6
	II	14.4	20.4	—	—	21.1	19.9	14.6	7.8	18.2	11.4
	III	*10.2*	*22.2*	—	—	*27.4*	*18.2*	*6.6*	*16.5*	*16.7*	*7.9*
4. Western Europe	1948	43.6	41.7	6.8	4.9	58.6	49.6	33.4	26.6	13.2	4.9
	1950	69.4	39.3	23.6	9.2	103.2	56.7	50.3	34.8	11.0	4.9
	1951	110.0	66.8	35.4	40.1	185.6	100.1	77.3	47.4	22.1	7.0
	1952	72.2	80.8	44.1	34.4	120.7	90.7	49.2	52.5	13.1	5.9
	1953	71.4	64.0	28.9	50.8	81.7	72.9	53.6	25.4	13.8	5.8
	1954	71.6	52.0	36.9	49.2	89.4	72.4	43.4	39.2	20.2	10.7
	1954 II	62.6	53.2	30.7	58.8	75.9	75.5	37.2	35.5	15.7	12.0
	III	73.4	56.3	40.5	43.2	92.3	71.1	37.9	43.0	20.7	10.3
	IV	84.6	46.9	55.8	33.0	107.9	72.8	48.3	34.9	22.8	11.2
	1955 I	70.5	52.7	52.6	36.1	126.9	83.4	54.1	35.2	15.9	11.6
	II	75.4	54.9	41.9	44.3	107.0	81.2	41.3	31.9	12.2	12.6
	III	*77.4*	*59.1*	*37.4*	*43.3*	*162.3*	*62.8*	*28.7*	*36.0*	*19.2*	*11.2*
5. United Kingdom	1948	2.0	10.8	4.2	1.3	28.2	40.5	13.4	20.4	0.8	1.3
	1950	7.9	8.2	6.5	1.6	44.6	41.3	17.2	23.1	1.3	1.3
	1951	19.5	13.0	13.5	8.0	99.3	64.4	23.9	27.6	3.2	1.6
	1952	6.1	16.5	18.3	9.2	66.6	66.9	17.0	30.9	1.4	1.2
	1953	4.2	13.2	8.3	12.2	39.6	53.5	21.1	14.4	1.3	1.1
	1954	9.8	8.5	12.8	9.3	36.9	49.1	17.4	23.2	1.2	2.3
	1954 II	5.5	9.0	9.0	9.1	30.8	51.3	12.5	20.7	0.9	2.7
	III	12.8	9.3	17.1	8.1	37.8	49.7	16.8	29.0	1.0	2.1
	IV	17.9	6.7	19.7	7.4	47.0	47.8	23.0	22.3	1.5	2.5
	1955 I	19.6	7.7	18.0	7.1	53.0	58.9	23.4	22.5	1.7	3.2
	II	26.0	9.3	14.6	8.7	44.3	55.2	12.3	15.9	1.1	3.4
	III	*22.7*	*8.2*	*11.2*	*11.1*	*75.5*	*51.9*	*10.5*	*18.2*	*1.3*	*2.3*
6. Eastern Europe	1948	0.4	1.1	1.1	0.6	14.5	1.6	6.2	1.1	2.0	0.1
	1950	0.2	0.8	0.4	0.9	14.0	1.0	7.3	2.0	0.1	0.1
	1951	0.6	1.5	0.5	0.5	17.2	1.5	8.1	2.2	—	—
	1952	2.4	1.6	0.6	0.7	8.3	0.9	9.0	1.8	—	0.1
	1953	1.1	1.4	1.0	1.4	4.2	1.6	3.2	0.4	—	—
	1954	1.8	3.3	1.3	1.1	4.0	1.1	2.0	0.7	—	0.1
	1954 II	1.0	2.1	1.0	0.8	2.9	0.9	4.4	0.4	—	—
	III	1.5	5.2	0.3	0.6	5.0	1.2	0.2	0.5	—	—
	IV	4.2	4.3	3.3	1.0	3.8	0.8	0.6	0.7	—	0.3
	1955 I	5.1	11.5	8.4	0.4	5.8	1.3	1.6	0.4	—	—
	II	5.3	11.2	4.4	1.0	2.6	1.0	2.9	0.2	—	—
	III	*6.8*	*5.8*	*4.7*	*1.3*	*2.8*	*1.0*	*2.1*	*1.0*	—	—

5. DIRECTION OF INTERNATIONAL TRADE *(Cont'd)*

Quarterly averages or quarters

Mn. dollars

TRADE WITH	Year and Quarter	BURMA[a]		CEYLON		CHINA (Taiwan only)		HONG KONG		INDIA[c d]	
		Exports	Imports	Exports	Imports	Exports	Imports[b]	Exports	Imports	Exports	Imports
7. North America	1948	0.6	1.7	16.0	6.4	..	..	11.1	26.7	60.9	89.4
	1950	0.9	0.8	23.2	2.9	0.9	4.9	14.6	30.8	61.8	58.6
	1951	0.2	0.9	14.8	5.3	1.2	3.8	7.8	20.2	85.9	118.1
	1952	0.6	2.6	12.2	9.9	0.9	6.8	5.8	13.1	70.9	159.5
	1953	1.1	1.8	10.8	3.6	1.4	4.9	4.3	12.5	58.6	57.0
	1954	0.3	2.1	10.1	2.6	1.3	5.2	5.0	14.8	52.8	41.6
	1954 II	0.3	1.9	10.2	2.4	1.0	3.7	4.7	16.4	48.5	48.6
	III	0.1	1.9	8.1	2.1	1.6	4.9	4.7	15.6	52.8	44.3
	IV	—	3.2	9.1	3.3	1.4	7.2	6.3	13.6	60.1	39.9
	1955 I	*0.2*	1.6	18.6	3.7	0.9	4.9	6.0	17.7	62.2	50.9
	II	*0.3*	*1.3*	11.0	3.4	1.0	5.8	6.3	19.1	54.8	45.6
	III	..	..	13.4	3.1	1.4	2.6	*4.9*	*13.9*	*52.7*	*48.1*
8. United States of America	1948	0.6	1.6	12.6	5.7	..	..	10.6	24.4	54.3	82.2
	1950	0.1	0.8	17.6	1.8	0.9	4.3	14.2	28.6	54.8	52.9
	1951	0.2	0.8	10.5	4.3	1.2	3.4	7.1	16.3	75.1	105.9
	1952	0.6	2.5	8.3	7.8	0.9	6.3	5.0	9.6	63.3	143.8
	1953	1.1	1.8	6.4	2.7	1.3	4.5	3.3	9.9	51.2	47.1
	1954	0.3	2.1	6.2	1.9	1.3	4.8	4.1	12.4	44.8	38.4
	1954 II	0.4	1.8	6.2	1.8	1.0	3.3	3.8	14.3	40.9	47.1
	III	0.1	1.8	3.9	1.5	1.6	4.6	3.9	12.9	44.1	41.6
	IV	—	3.2	5.4	2.4	1.3	7.1	5.2	11.4	51.4	34.3
	1955 I	*0.2*	1.5	12.0	2.9	0.9	4.4	4.7	15.8	50.5	48.4
	II	*0.3*	*1.3*	7.5	2.5	1.0	4.5	4.9	16.7	48.5	42.7
	III	..	..	8.5	2.2	1.4	2.5	*3.7*	*12.0*	*43.3*	*45.1*
9. Latin American Republics	1948	0.2	—	1.2	1.2	..	..	0.1	—	24.0	12.6
	1950	—	—	1.1	0.6	0.4	—	—	—	12.4	1.8
	1951	—	—	1.1	—	0.4	—	—	—	24.5	2.8
	1952	—	—	0.7	0.1	—	—	—	—	14.2	0.7
	1953	—	—	0.4	—	0.4	—	—	0.4	16.1	0.4
	1954	—	—	0.2	—	0.3	0.1	—	5.0	12.2	2.8
	1954 II	—	—	0.5	—	0.1	0.1	—	6.3	5.0	0.7
	III	—	—	0.1	—	0.9	0.2	0.1	3.2	22.1	4.8
	IV	—	—	0.3	—	—	—	—	5.9	16.5	3.8
	1955 I	—	1.0	0.1	—	—	—	—	2.7	4.7	6.2
	II	—	—	0.1	—	0.1	—	0.1	0.3	3.9	3.7
	III	..	..	0.3	—	0.1	—	—	—	*26.6*	*3.3*
10. Oceania	1948	—	1.4	8.3	10.8	..	..	1.7	4.2	18.0	20.9
	1950	0.1	0.6	8.0	4.2	—	1.2	1.9	3.5	16.9	23.7
	1951	—	0.8	9.0	6.5	0.2	0.5	3.5	4.0	28.8	10.6
	1952	—	0.9	5.8	6.5	0.1	0.3	0.9	2.4	14.4	8.7
	1953	—	1.1	8.7	9.2	—	1.2	2.1	2.5	10.2	14.5
	1954	—	1.0	11.2	5.6	0.1	0.5	3.0	2.8	14.6	8.5
	1954 II	—	0.7	10.4	5.8	0.2	0.5	2.9	2.8	15.0	7.3
	III	—	1.7	15.2	6.5	—	0.6	3.0	3.1	14.3	7.1
	IV	—	1.1	9.4	3.2	—	0.7	3.7	2.5	16.4	13.8
	1955 I	—	0.9	19.1	5.6	—	0.3	2.5	3.6	17.5	17.5
	II	—	*1.4*	7.7	4.5	0.1	0.1	3.9	4.2	18.5	14.9
	III	..	..	5.8	3.1	—	0.1	*5.7*	*2.8*	*17.2*	*7.5*
11. Sterling Area	1948	49.5	36.5	41.1	53.8	..	..	27.0	36.3	191.6	264.4
	1950	24.0	21.0	36.9	43.6	4.7	7.2	45.2	49.7	164.6	141.6
	1951	32.9	22.4	51.2	57.3	7.8	4.9	62.1	68.0	218.0	190.1
	1952	43.0	32.2	38.1	57.0	7.1	5.9	32.0	44.8	168.4	154.1
	1953	34.0	28.2	39.1	53.5	7.9	5.1	32.2	45.4	146.9	144.7
	1954	36.8	28.3	48.0	42.5	5.2	3.9	36.2	36.6	166.4	158.9
	1954 II	35.5	29.2	51.6	45.6	12.0	4.0	34.2	38.4	128.4	155.9
	III	43.5	32.0	51.9	44.8	2.4	3.7	36.3	35.9	170.6	166.0
	IV	51.9	26.7	51.3	38.1	2.8	2.8	39.6	34.7	218.6	184.2
	1955 I	*43.4*	26.2	57.2	40.0	3.4	2.4	41.7	41.8	170.4	177.9
	II	*29.2*	*20.0*	44.5	42.9	4.3	1.8	39.3	42.2	138.4	161.9
	III	..	..	43.5	47.0	5.3	1.8	*45.2*	*38.6*	*163.6*	*134.5*
12. ECAFE Sterling Countries	1948	43.9	13.8	4.4	24.2	..	..	17.2	10.5	81.6	110.2
	1950	22.3	13.6	4.3	23.5	4.4	5.3	32.5	25.9	58.6	38.3
	1951	28.5	13.0	5.0	25.2	7.1	3.6	44.8	32.3	57.4	83.0
	1952	33.8	20.2	4.8	23.2	6.0	4.6	24.8	18.0	61.0	43.4
	1953	26.1	14.9	3.1	19.6	5.5	3.3	20.1	18.5	32.4	32.5
	1954	30.0	14.4	4.0	18.1	4.5	2.3	19.4	14.3	31.0	49.1
	1954 II	32.3	16.7	3.6	20.7	11.1	2.3	19.6	16.4	28.9	38.4
	III	37.5	16.2	4.2	18.0	1.5	2.0	19.6	12.3	27.5	55.9
	IV	39.4	13.8	5.4	17.3	0.9	0.9	19.9	14.5	33.8	74.8
	1955 I	*35.6*	12.7	2.9	13.8	3.2	1.5	21.2	14.2	30.0	57.0
	II	*23.8*	*6.5*	4.0	21.8	3.9	1.4	17.8	16.7	28.8	36.0
	III	..	..	5.9	25.0	3.6	1.4	*23.0*	*16.8*	*31.4*	*33.7*

GENERAL NOTES:

1. Countries included in the total for ECAFE region are the following:
   i) Sterling countries—Burma, Ceylon, Hong Kong, India, Malaya, British Borneo and Pakistan.
   ii) Non-sterling countries—Cambodia, China, Indonesia, Japan, Korea, Laos, Philippines, Thailand and Viet-Nam.
2. Annual data are based on calendar years except for 1948 figures in the case of Burma, India and Pakistan, which are based on the twelve months ending September 1948 for Burma, and ending March 1949 for India and Pakistan.
3. Having regard to the considerable volume of trade of Indonesia with the Netherlands, these figures are shown below:—

5. DIRECTION OF INTERNATIONAL TRADE *(Cont'd)*

Quarterly averages or quarters

Mn. dollars

TRADE WITH	Year and Quarter	INDONESIA		JAPAN		MALAYA		PAKISTAN[c e]		PHILIPPINES	
		Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports[f]
7. North America	1948	17.8	28.4	16.9	112.4	60.0	27.4	12.4	6.6	53.8	120.2
	1950	33.4	22.2	50.3	114.8	94.9	8.8	11.4	8.8	62.7	68.1
	1951	51.9	41.6	52.0	217.7	113.0	20.9	8.3	8.0	72.1[r]	91.1[r]
	1952	58.7	41.2	63.8	237.4	60.1	18.0	5.6	10.1	60.2[r]	80.8[r]
	1953	42.7	34.1	65.2	242.4	45.1	12.7	7.4	4.2	69.6[r]	90.6[r]
	1954	36.6	23.0	83.2	266.0	44.0	13.4	6.1	6.2	62.4	85.4
	1954 II	36.4	22.8	71.9	310.9	47.6	12.0	5.7	4.1	69.9	90.8
	III	38.0	29.0	92.2	211.7	47.6	14.9	5.9	9.1	57.5	79.2
	IV	43.1	16.2	106.0	190.2	40.0	13.3	5.7	6.6	52.9	91.0
	1955 I	25.6	18.7	91.8	250.5	62.7	14.8	7.5	7.6	64.8	92.6
	II	30.7	23.9	116.0	240.7	68.2	13.8	8.7	6.6	77.1	107.4
	III	*50.5*	*27.1*	*142.4*	*221.7*	*63.5*	*14.6*	*7.7*	*11.7*	*49.6*	*71.1*
8. United States of America	1948	17.2	26.9	16.4	110.4	53.8	24.6	12.0	6.0	52.4	117.7
	1950	33.2	21.5	45.8	106.8	85.6	7.2	11.0	8.2	61.6	63.9
	1951	51.6	40.2	47.4	171.8	97.5	17.8	7.9	7.6	70.9[r]	87.6[r]
	1952	58.3	39.6	58.6	192.1	53.6	14.9	5.8	9.1	59.5[r]	77.1[r]
	1953	42.3	33.8	58.5	189.4	39.2	11.4	7.2	4.1	69.0[r]	87.8[r]
	1954	35.9	22.7	70.7	212.3	37.6	12.2	6.0	5.2	61.6	81.6
	1954 II	36.1	22.6	58.6	253.7	41.0	10.7	5.5	3.6	68.5	85.8
	III	37.5	28.5	78.3	176.6	41.3	13.9	5.7	7.2	56.9	76.5
	IV	41.3	16.0	92.1	135.5	33.1	12.2	5.7	5.3	52.0	87.1
	1955 I	23.7	18.6	82.4	200.5	54.4	13.4	7.3	7.1	64.4	89.4
	II	29.4	23.5	105.2	190.6	61.8	12.6	8.3	6.0	77.0	101.3
	III	*49.0*	*26.8*	*127.9*	*176.7*	*61.5*	*13.2*	*7.5*	*10.6*	*48.9*	*68.2*
9. Latin American Republics	1948	0.1	0.7	0.4	20.9	1.6	1.2	1.8	0.2	1.3	3.6
	1950	0.5	—	10.4	16.8	5.4	0.4	1.8	0.6	1.9	0.2
	1951	1.2	0.4	22.3	64.8	16.2	0.3	—	—	2.0	1.1
	1952	1.1	7.1	12.5	42.0	4.7	0.3	—	—	1.6	0.4
	1953	0.4	0.2	26.1	66.2	4.7	0.2	0.5	—	2.8	0.2
	1954	1.4	—	50.3	77.2	6.7	0.2	0.9	—	3.0	0.7
	1954 II	0.7	—	45.0	75.9	7.2	0.3	0.5	—	2.1	1.1
	III	1.6	—	58.8	55.7	10.4	0.2	0.8	0.1	4.6	0.8
	IV	2.8	—	52.5	94.1	6.0	0.4	0.6	—	3.7	0.8
	1955 I	10.8	—	34.5	63.7	7.0	0.2	1.8	—	2.9	0.6
	II	9.3	0.1	41.2	61.9	11.2	0.3	1.6	—	3.5	0.7
	III	*5.7*	*0.1*	*48.2*	*48.0*	*14.4*	*1.7*	*1.8*	—	*5.5*	*0.5*
10. Oceania	1948	1.2	8.5	1.1	2.1	14.1	22.4	0.5	0.3	0.2	1.8
	1950	4.3	1.0	6.4	20.3	14.2	9.4	1.8	0.2	0.1	0.5
	1951	8.6	2.6	25.4	36.7	28.2	12.0	2.2	0.3	1.4	0.2
	1952	7.1	3.3	9.7	37.9	15.8	13.6	1.0	0.6	0.2	0.4
	1953	5.0	4.4	3.6	50.2	16.4	13.2	1.4	0.5	0.2	0.3
	1954	8.6	3.2	8.8	34.0	16.8	11.4	1.6	0.5	0.2	0.8
	1954 II	8.5	3.1	7.0	38.2	18.6	12.3	1.4	1.1	0.2	0.6
	III	8.8	2.1	9.9	30.4	14.9	11.7	1.4	0.4	0.1	0.9
	IV	10.0	2.9	13.2	25.9	19.3	11.2	1.0	0.4	0.2	1.0
	1955 I	5.6	3.2	14.0	41.6	18.9	13.3	1.2	1.1	0.1	1.1
	II	5.8	2.6	17.1	57.7	16.8	14.4	1.3	0.8	0.1	1.6
	III	*4.6*	*2.8*	*19.0*	*50.2*	*15.3*	*10.6*	*0.9*	*0.5*	*0.1*	*0.8*
11. Sterling Area	1948	24.4	29.7	17.4	15.3	61.1	89.4	110.4	72.6	2.4	5.4
	1950	86.5	39.8	74.2	55.4	100.4	98.4	55.4	50.0	2.6	7.6
	1951	137.2	57.3	153.1	111.6	182.6	139.1	81.8	54.9	5.2	7.8
	1952	77.4	66.9	134.8	125.1	116.0	131.2	36.8	61.7	2.8	7.5
	1953	65.7	61.9	79.0	150.6	91.9	110.6	37.0	23.4	2.3	6.0
	1954	84.3	45.2	122.8	108.4	92.7	94.1	33.6	32.6	2.4	10.2
	1954 II	75.5	40.6	108.9	138.7	90.4	93.6	26.8	29.5	2.0	9.7
	III	93.6	42.2	130.9	85.0	94.9	93.8	29.9	35.7	1.9	9.2
	IV	95.2	37.9	166.2	88.4	106.7	97.1	41.4	34.6	3.4	11.7
	1955 I	71.9	30.6	151.4	116.2	109.8	113.1	37.3	30.5	2.6	10.6
	II	75.9	32.1	150.1	159.2	97.5	112.7	42.4	25.6	2.4	12.6
	III	*80.6*	*40.3*	*156.3*	*154.6*	*127.6*	*118.7*	*20.4*	*25.6*	*2.4*	*13.6*
12. ECAFE Sterling Countries	1948	20.9	9.5	8.8	10.9	15.5	20.8	96.2	50.9	1.4	2.2
	1950	73.2	29.1	42.7	29.6	35.1	45.6	35.7	24.8	0.8	4.7
	1951	106.9	37.4	83.6	63.4	45.6	58.4	54.4	25.8	0.8	4.8
	1952	63.0	43.2	84.3	68.1	28.6	46.0	18.0	29.2	0.6	5.8
	1953	54.8	38.8	47.8	82.1	30.8	38.1	13.2	6.6	0.6	4.5
	1954	65.3	23.6	72.0	60.2	32.6	27.9	11.6	6.3	0.7	6.7
	1954 II	61.2	20.1	67.7	82.5	35.4	24.8	10.0	7.1	0.8	6.0
	III	71.7	21.7	72.7	44.9	35.7	28.1	9.7	3.7	0.5	5.7
	IV	65.7	14.4	97.8	49.5	32.2	30.9	14.0	7.1	1.3	8.4
	1955 I	46.3	10.5	87.2	54.7	29.4	34.6	8.0	4.2	0.4	6.3
	II	43.1	13.6	78.4	82.7	29.2	34.5	24.1	6.6	0.5	7.2
	III	*52.6*	*23.2*	*80.4*	*80.6*	*17.8*	*46.7*	*22.4*	*6.0*	*0.6*	*9.5*

		Indonesia with Netherlands	
		Exp.	Imp.
1952		48.3	29.7
1953		46.1	22.1
1954		41.3	16.4
1954	III	38.4	15.6
	IV	43.4	14.9
1955	I	36.4	16.3
	II	35.4	15.7
	III	36.0	17.8

a. For 1948, year ending 30 September.

b. Excluding FOA/MSA/ECA/ICA imports.

c. For 1948, year beginning 1 April.

d. Includes transit trade but excludes overland trade with Burma, Iran and Afghanistan through 1950.

e. Beginning 1951, includes overland trade (representing private account only).

f. Imports valued f.o.b.

EXTERNAL TRADE

6. VALUE OF IMPORTS BY PRINCIPAL COMMODITIES AND/OR COMMODITY GROUPS

Monthly averages or calendar months

Millions

	1938[j]	1948	1951	1952	1953	1954	1954		1955				
							III	IV	I	II	III	Oct	Nov
BURMA (K.)													
Cotton yarn and fabrics (incl. thread)	3.4‡	9.2†	13.3	14.1	16.9	15.2	17.0	14.1	15.0	10.0	..	..	..
Base metals and manufactures thereof	2.1‡	5.9†	3.1	6.0	7.3	9.4	10.6	9.4	10.7	8.9	..	..	..
Machinery and transport equipment	1.8‡	9.3†	3.9	6.7	8.1	12.4	16.3	13.4	13.6	11.2	..	..	..
CAMBODIA (Ri)													
Food	..	..	..	..	8.6	7.0	..	..	10.6	6.1	..	..	..
Beverages and tobacco	..	..	..	..	22.4	22.8	..	..	13.3	5.0	..	..	..
Mineral fuels	..	..	..	..	9.8	13.6	..	..	12.3	5.4	..	..	..
Textiles	..	..	..	..	22.7	25.2	..	..	19.7	16.8	..	..	..
Machinery & transport equipment	..	..	..	..	16.0	15.8	..	..	18.7	21.9	..	..	..
Metals and manufactures	..	..	..	..	7.8	10.1	..	..	9.2	15.1	..	..	..
CEYLON (Rs.)[a]													
Food	8.6	42.4	56.6	63.9	64.6	53.8	52.1	50.0	47.7	55.9	45.6	52.2	..
Cereals and cereal preparations	5.1	29.7	32.3	40.5	43.4	33.0	31.4	29.2	23.2	31.9	23.2	25.7	..
Mineral Fuels, Lubricants and related materials	2.5	7.1	10.6	12.7	12.1	9.9	11.3	8.1	13.6	11.7	10.9	9.4	..
Chemicals	0.8	3.0	6.2	5.1	5.4	6.1	6.0	6.1	7.4	6.9	7.2	7.6	..
Manufactured goods	5.4	20.5	38.8	38.9	32.8	32.3	32.5	36.8	32.6	30.3	31.4	36.0	..
Textiles	2.0	11.2	17.5	17.2	13.5	12.2	12.8	14.1	13.2	13.0	14.2	18.2	..
Machinery & Transport Equipment	1.3	6.2	13.3	15.9	14.7	10.6	10.7	10.9	13.3	12.3	12.7	11.2	..
CHINA[b] (Taiwan only, $)													
Beans and peas	..	..	0.84	1.27	1.30	1.22	1.21	1.00	0.95	1.75	1.63	..	..
Wheat and wheat flour	..	..	0.72	1.04	1.25	1.61	3.42	0.57	0.75	2.19	0.73	..	..
Cotton, Raw	..	..	0.75	0.82	1.57	1.76	1.34	1.94	0.55	3.54	1.18	..	..
Chemical Fertilizers	..	..	1.21	2.94	1.12	1.76	1.82	3.61	1.29	3.03	1.01	..	..
Medicines and drugs	..	..	0.48	1.82	0.55	0.56	0.59	0.64	0.48	0.54	0.61	..	..
Iron and steel manufactures	..	..	..	1.29	1.13	1.19	1.37	1.71	0.96	0.92	1.42	..	..
Machinery and vehicles	..	..	0.90[t]	1.46	1.82	2.20	2.04	3.30	2.88	2.42	2.01	..	..
INDIA[c] (Rs.)													
Food and drink	14.9	73.7	175.8	188.1	90.7	64.7	75.8	114.2	118.9	65.5	30.8	..	..
Raw materials and articles mainly unmanufactured	30.5	88.3	186.9	186.1	132.4	157.3	148.9	133.2	141.5	128.8	137.2	..	..
Cotton, raw and waste	9.2	38.8	94.3	95.8	41.5	47.9	39.3	32.9	48.4	52.1	46.2	..	..
Mineral oils	13.6[k]	26.7	53.2	65.0	65.7	72.2	72.3	56.6	60.7	44.6	41.8	..	..
Articles wholly or mainly manufactured	78.0	224.5	270.7	247.1	227.5	244.0	249.4	270.6	271.5	296.4	305.1	..	..
Machinery and vehicles	22.1	89.4	104.1	104.5	91.9	94.3	97.2	102.2	109.2	122.7	124.5	..	..
Implements and instruments	4.9[m]	7.7	10.5	8.5	8.3	12.4	12.6	14.3	17.9	17.7	19.7	..	..
Electrical goods and apparatus	2.8	8.0	7.6	10.8	11.9	9.0	7.9	9.4	11.1	10.9	11.8	..	..
Base metals and manufactures thereof	8.9	26.4	33.2	37.4	32.3	41.6	48.0	48.7	51.8	55.2	59.1	..	..
INDONESIA (Rp.)													
Food	7.3	9.5	27.0	162.3	118.5	83.2	67.6	65.9	31.7	30.2	45.0	..	..
Textiles	10.3	23.5[q]	89.0	217.8	212.9	173.8	153.5	111.8	146.6	164.7	19.4	..	..
Base metals (incl. ores) and manufactures thereof	4.9	4.2	12.1	89.9	67.9	63.1	67.1	50.0	61.3	74.7	67.7	..	..
Machinery and appliances (incl. electrical material)	5.1	6.8	8.6	36.4	50.7	83.0	103.3	68.0	75.8	61.0	62.6	..	..
Transport equipment	3.0	3.7	6.6	19.7	62.5	32.7	28.8	30.5	27.3	25.5	33.3	..	..

6. VALUE OF IMPORTS BY PRINCIPAL COMMODITIES AND/OR COMMODITY GROUPS (*Cont'd*)

Monthly averages or calendar months — *Millions*

	1938[j]	1948	1951[a]	1952	1953	1954	1954 III	1954 IV	1955 I	1955 II	1955 III	1955 Oct	1955 Nov
JAPAN ($)													
Food	19.5[n]	26.7[n]	41.5	49.6	50.4	53.6	42.5	34.9	42.0	56.7	54.9	44.1	..
Cereal and cereal preparations	..	..	31.3	36.1	36.1	40.7	29.3	22.0	27.6	43.7	41.6	32.4	..
Sugar and sugar preparations	..	..	8.0	9.8	10.5	9.4	10.0	9.1	10.7	8.9	9.3	7.2	..
Crude materials (inedible) other than fuels	..	..	87.2	80.6	96.2	93.8	76.1	82.3	100.1	107.1	92.8	97.5	..
Oil-seeds, oil nuts & oil kernels	..	..	5.1	3.2	6.7	8.1	5.1	6.6	17.2	10.8	10.1	8.9	..
Crude rubber, including synthetic and reclaimed	..	..	4.5	4.1	4.2	3.6	3.4	4.3	5.0	5.6	5.9	8.1	..
Textile fibers, raw	..	..	48.7	49.7	55.5	51.5	40.5	46.4	52.3	56.9	37.9	39.9	..
Metalliferous ores and metal scrap	..	..	10.7	12.1	14.4	14.3	12.5	9.4	8.2	13.4	20.0	19.4	..
Mineral fuels, lubricants and related materials	..	..	16.4	19.5	24.1	22.3	21.4	21.5	22.5	23.2	21.7	26.3	..
Chemicals	4.2	3.9	3.8	3.7	5.8	5.3	4.1	4.1	5.5	6.9	6.7	6.6	..
Machinery and transport equipment	3.5	0.1	7.0	7.6	13.4	14.8	14.1	12.0	11.1	11.5	10.6	13.4	..
Other manufactured goods	..	..	7.0	4.9	7.5	7.2	6.1	5.6	6.6	6.1	6.8	7.1	..
KOREA (South, H.)													
Food	..	0.1	3.4	174.6	820.8	276.5	257.2	143.7	760.0	430.2	368.4	..	..
Beverages and tobacco	..	—	1.0	24.4	67.5	126.1	148.1	80.7	126.2	218.1	175.9	..	..
Inedible crude materials excluding mineral fuels	..	1.6	21.9	22.0	102.6	105.5	90.7	82.8	75.8	87.0	130.8	..	..
Chemicals	..	1.2	20.2	114.3	305.5	350.9	518.8	234.5	404.8	971.6	717.0	..	..
Manufactured goods	..	3.8	49.0	137.6	451.6	1,065.1	950.0	1,482.2	1,874.0	2,048.2	2,163.9	..	..
Machinery & transport equipment	..	0.1	2.8	15.3	63.2	315.8	274.7	211.4	186.7	276.0	305.9	..	..
MALAYA (M$)													
Food	11.9	48.2	82.0	84.2	79.4	64.9	62.7	73.9	68.8	67.5	73.4	..	..
Cotton yarn and manufactures	2.2	17.9	30.0	18.2	17.8	15.7	16.4	17.9	23.1	20.7	21.9	..	..
Machinery and vehicles	3.1	9.9	22.9	27.9	18.2	15.5	15.7	13.8	16.6	16.3	17.4	..	..
Base metals and manufactures thereof	1.6	4.7	15.0	14.8	12.6	11.4	10.9	11.1	15.2	16.4	13.0	..	..
Electrical goods and apparatus	0.5	2.4	5.2	5.6	5.4	5.8	6.6	5.8	7.7	7.2	7.9	..	..
PAKISTAN (Rs.)													
Mineral oils	..	2.3‡	6.1	8.5	8.3	8.3	7.8	14.5	7.1	6.7	7.5	3.9	..
Cotton piecegoods	..	22.4‡	27.5	23.0	1.2	2.5	5.9	3.0	3.1	0.3	2.4	0.4	..
Cotton twist and yarn	..	9.4‡	18.0	16.3	4.0	4.0	5.8	1.9	1.2	0.5	1.0	..	..
Machinery and vehicles	..	8.6‡	17.2	21.6	12.0	26.5	34.8	30.6	34.0	21.6	24.0	21.3	..
Iron and steel manufactures	..	..	7.2	14.0	4.9	5.6	6.1	3.8	5.2	8.5	9.5	13.9	..
PHILIPPINES[d] (P.)													
Grains and preparations[e]	1.3[p]	7.0	7.5	6.1	3.6[r]	4.3	2.9	6.4	3.4	7.8	*5.7*	..	..
Cotton and manufactures[f]	3.6	11.4	12.2	9.2	13.2[r]	14.1	11.9	18.4	16.8	15.8	*9.5*	..	..
Rayon and other synthetic textiles[f]	0.4	8.8	2.3	3.9									
Mineral oils (petroleum products)[g]	0.9	5.7	6.0	6.6	8.1[r]	9.0	10.0	7.9	8.8	9.1	*9.6*	..	..
Machinery and vehicles (incl. spare parts)	2.7	8.9	7.0	9.7	10.4[r]	11.6	10.4	11.6	12.9	15.3	*10.9*	..	..
Iron and steel manufactures[h]	1.8	4.7	6.0	4.0‖	8.1[r]	8.0	7.8	8.0	9.4	9.6	*8.5*	..	..
THAILAND[i] ($)													
Food	..	..	..	..	..	2.37	3.48	1.66	1.76	2.40	*2.20*	..	..
Mineral Fuels Lubricants and related materials	..	..	..	..	..	1.96	2.17	1.43	1.73	2.50	*1.53*	..	..
Chemicals	..	..	..	..	..	2.02	2.34	1.94	2.21	2.13	*1.72*	..	..
Manufactured goods	..	..	..	..	..	12.74	11.48	12.41	11.75	10.99	*11.94*	..	..
Textiles	..	..	..	..	..	4.89	4.30	5.27	4.71	3.90	*4.96*	..	..
Machinery and Transport Equipment	..	..	..	..	..	5.22	5.66	4.75	4.67	5.01	*4.19*	..	..
VIET-NAM (VN Pr.)													
Food	0.9	..	55.8	84.8	111.1	122.0	115.1	154.7	99.9	101.1	..	..	..
Petroleum and products	0.3	..	13.8	21.3	32.0	41.0	45.1	54.7	27.6	32.4	..	..	..
Textiles	3.2	..	120.3	151.5	159.5	149.9	145.1	172.4	111.6	103.8	..	..	..
Machinery & transport equipment	1.8	..	42.2	97.6	118.9	125.5	135.0	110.8	95.5	108.8	..	..	..

a. Figures for 1938-1954, reclassified by ECAFE Secretariat, may not conform exactly to the new classification beginning from 1955.
b. Including FAO/MSA/ECA/ICA imports.
c. For 1938, former British Provinces and Indian States.
d. Imports valued f.o.b.
e, f, g, h. From 1953 onwards, changed respectively into cereals and preparations; textile yarn, fabrics and made up articles; mineral fuels, lubricants and related materials; and base metals and manufactures.
i. Figures relate to Port of Bangkok only.
j. 1936 for Japan, 1939 for Indonesia.
k. Including vegetable and animal oils.
m. Including cutlery and hardware.
n. Including drink.
p. 1937.
q. Comprise cotton yarn and cotton piecegoods.
s. Average of Jul-Dec for Japan.
t. Excluding Vehicles.

EXTERNAL TRADE

7. VALUE OF EXPORTS BY PRINCIPAL COMMODITIES AND/OR COMMODITY GROUPS

Monthly averages or calendar months

Millions

	1938[f]	1948	1951[h]	1952	1953	1954	1954 III	1954 IV	1955 I	1955 II	1955 III	1955 Oct	1955 Nov
BURMA (K.)													
Rice and products	18.2‡	48.7†	60.3	82.6	70.7	76.4	62.9	69.0	70.6	91.7	..	..	..
Raw rubber	0.5‡	0.5†	2.4	2.2	2.0	1.8	1.0	2.2	4.9	2.7	..	..	..
Teak	2.5‡	4.6†	4.0	3.0	2.4	2.0	1.8	2.2	1.2	1.6	..	..	..
Base metals and ores	4.8‡	1.8†	3.5	5.0	3.9	2.0	1.3	2.5	36	4.9	..	..	..
CAMBODIA (Ri)													
Rice	..	..	..	..	38.5	69.5	..	..	18.8	10.2	..	..	..
Maize	..	..	..	..	8.0	16.9	..	..	5.1	6.2	..	..	..
Rubber	..	..	..	..	25.8	34.3	..	..	40.1	32.3	..	..	..
CEYLON (Rs.)													
Tea	14.4	49.2	66.7	60.3	68.8	93.6	100.1	94.6	119.5	85.6	92.9	94.3	..
Coconut and products	2.3	12.8	26.9	19.5	20.5	18.2	23.1	19.4	14.0	16.4	22.9	28.5	..
Rubber	3.8	12.0	48.5	31.1	28.1	23.8	30.5	26.0	30.1	23.3	20.4	45.0	..
CHINA (Taiwan only, $)													
Rice	..	..	1.26	1.20	1.12	0.61	—	0.17	3.42	0.52	2.37	..	..
Fruits, fresh, dried and preserved	..	..	0.48	0.64	0.52	0.69	0.87	0.75	0.30	0.72	1.26	..	..
Tea	..	..	0.55	0.45	0.57	0.78	1.10	0.97	0.10	0.32	0.82	..	..
Sugar	..	..	4.15	4.63	7.15	4.51	3.02	2.28	4.30	7.16	5.83	..	..
INDIA[a] (Rs.)													
Food and drink	30.6	58.9	119.6	109.1	117.2	143.4	156.5	229.9	157.2	98.9	121.3	..	..
Tea	19.6	46.5	78.7	66.7	85.5	103.9	125.3	194.9	124.2	36.3	111.8	..	..
Spices	0.7	4.0	24.9	19.0	13.8	11.2	9.2	8.0	10.2	8.3	4.9	..	..
Raw materials[b]	59.5	90.3	127.7	116.4	97.4	83.2	73.9	103.8	130.4	130.8	135.7	..	..
Cotton raw and waste	19.9	18.6	21.4	20.3	16.7	15.3	11.2	21.0	24.3	21.0	39.2	..	..
Hides and skin raw or undressed	3.0	5.0	8.3	4.9	4.9	5.6	5.3	5.3	6.6	5.3	4.2	..	..
Vegetable oil other than aromatic	0.7	10.9	25.4	20.0	7.8	7.4	7.8	17.2	34.9	36.9	24.7	..	..
Articles manufactured[c]	40.2	192.3	347.6	244.6	201.5	213.2	218.6	220.8	201.9	205.4	236.1	..	..
Cotton yarns and manufactures	6.3	30.8	78.4	60.4	52.8	59.7	54.9	61.9	51.7	51.1	55.2	..	..
Jute yarns and manufactures	21.8	126.3	200.3	135.6	92.1	101.1	112.8	105.2	99.8	102.7	126.9	..	..
Hides, skins and leather	4.4	9.9	27.8	14.6	21.1	18.2	16.3	17.9	14.1	15.5	20.4	..	..
INDONESIA (Rp.)													
Tea	4.7	1.8	11.6	20.9	22.3	37.8	31.7	51.1	35.1	24.1	24.0	40.8	..
Copra	3.2	13.1	40.7	43.2	54.1	54.8	55.1	46.5	36.9	40.0	50.3	43.8	..
Rubber	13.0	21.3	206.9	344.7	256.6	251.1	287.6	323.6	304.2	335.7	416.3	548.6	..
Tin (and tin ore)	2.8	12.3	25.7	78.0	77.2	58.4	63.4	69.8	47.3	61.2	58.3	58.2	..
Petroleum and products	13.5	21.7	52.8	162.1	191.0	214.9	221.3	341.2	196.6	199.7	192.5	222.3	..
JAPAN ($)													
Food	7.3[g]	0.9[g]	5.6	8.0	10.4	10.9	11.2	13.2	10.4	8.0	11.3	13.5	..
Fish and fish preparations	..	..	3.6	3.8	5.1	6.2	6.7	6.7	5.1	4.9	6.9	8.9	..
Inedible crude materials[d]	..	..	7.9	7.0	5.9	7.0	7.5	7.9	6.3	6.5	9.5	10.6	..
Textiles fibers	..	..	5.4	4.1	3.9	4.3	4.5	4.9	3.6	3.3	5.8	6.3	..
Chemicals	3.6	0.9	3.4	3.3	5.2	6.6	6.7	7.3	7.3	8.7	6.7	6.7	..
Textile yarn and related products	..	..	41.3	30.5	31.3	45.8	46.0	52.3	41.1	45.6	49.2	53.6	..
Base metals and metal manufactures	7.5	1.0	27.7	28.4	15.6	20.9	20.2	30.6	29.2	29.7	33.8	34.2	..
Machinery & transport equipment	6.2	1.3	8.4	9.7	16.2	16.9	17.1	19.9	17.8	18.5	18.9	26.9	..
Other manufactured goods	..	..	18.1	17.1	19.1	25.8	28.3	31.6	27.7	34.3	39.9	41.9	..
KOREA (South, H.)													
Food	..	3.8	3.3	19.8	52.0	67.4	182.5	19.1	49.6	53.0	6.3	..	..
Inedible crude materials[d]	..	1.0	33.2	131.7	235.0	426.6	226.3	384.8	464.3	620.0	510.5	..	..
Chemicals	..	0.4	0.5	3.5	16.2	31.5	11.5	3.2	20.6	84.6	50.6	..	..
Manufactured goods	..	0.8	0.8	6.9	17.8	26.5	23.1	30.9	59.9	85.2	55.9	..	..
MALAYA (MS)													
Food	4.7	11.2	28.4	27.9	21.0	25.5	28.9	23.9	21.2	19.6	23.8	..	..
Rubber	23.2	73.2	330.1	157.6	103.2	110.7	113.8	133.6	173.1	163.8	221.4	..	..
Tin (block, ingots, bars or slabs)	8.0	17.9	48.2	43.0	32.6	34.6	40.1	33.5	37.1	32.3	40.7	..	..
PAKISTAN (Rs.)													
Raw jute	..	59.3‡	96.9	58.0	47.6	45.4	36.9	51.2	65.0	46.2	39.6	69.2	..
Raw cotton	..	31.6‡	80.2	72.0	52.7	29.1	15.1	17.4	28.1	38.1	37.0	12.7	..
Raw wool	..	2.8‡	4.9	4.1	4.3	3.5	4.2	3.1	3.8	5.6	5.3	7.9	..
Hides and skins	..	3.1‡	4.9	2.8	3.3	2.8	2.3	2.4	2.1	2.5	3.2	2.3	..
Tea	..	3.1‡	5.0	2.7	2.9	3.9	4.9	9.0	3.3	1.5	3.1	2.9	..
PHILIPPINES (P.)													
Abaca (unmanufactured)	1.7	5.0	11.2	6.8	6.5	4.4	4.1	3.9	4.4	4.6	*4.6*	..	..
Coconut products	4.9	34.6	32.8	20.2	25.5	27.3	30.1	27.7	23.9	21.9	*28.0*	..	..
Sugar centrifugal	7.7	3.5	11.4	15.0	15.8	17.6	12.8	13.3	21.9	27.5	*10.1*	..	..
THAILAND[e] ($)													
Rice	3.58‡	10.54	16.54	18.01	17.81	11.23	12.02	9.94	13.65	15.53	*11.47*	..	..
Tin ore and concentrates	1.13‡	1.23	1.89	1.89	1.69	1.49	1.64	1.63	1.58	1.47	*1.50*	..	..
Rubber	0.93‡	2.79	8.14	4.18	3.12	3.66	3.56	4.68	6.68	5.52	*8.80*	..	..
Teak	0.24‡	0.37	0.60	0.44	0.61	0.82	0.81	0.80	0.91	0.96	*0.92*	..	..
VIET-NAM (VN Pr.)													
Rice and products	8.2	..	62.4	44.9	52.5	64.2	32.3	63.3	49.3	38.1	..	..	..
Rubber	5.2	..	102.7	71.8	70.5	68.7	51.7	116.7	77.2	108.5	..	..	..

a. For 1938, former British Provinces and Indian States.
b. Including articles mainly unmanufactured.
c. Including articles mainly manufactured.
d. Excluding mineral fuels.
e. Value in dollars is supplied by the Bank of Thailand.
f. 1936 for Japan.
g. Including drink.
h. Average of Jul-Dec for Japan.

8. QUANTITY OF EXPORTS OF SELECTED COMMODITIES

Monthly averages or calendar months — *Thousand tons*

	1938	1948	1951	1952	1953	1954	1954 III	1954 IV	1955 I	1955 II	1955 III	1955 Oct	1955 Nov
RICE													
Burma	273.3‡	105.9†	110.2	109.4	86.9	124.5	104.8	126.2	137.5	175.1	..	..	..
Cambodia[a]	..	..	20.7	17.5	11.5	25.7	29.0	28.8	7.9	21.2	4.0	..	..
China (Taiwan only)	..	..	7.1	8.8	4.9	3.0	—	1.0	20.3	2.9	14.2	..	..
Thailand	125.8	67.7	131.4	118.8	111.7	83.6	92.0	80.9	111.6	124.5	95.2	67.0	..
Viet-Nam	..	..	23.0	12.8	8.6	14.6	8.2	16.8	12.8	10.4	..	..	..
SUGAR													
China (Taiwan only)	..	..	23.6	38.3	66.8	43.5	28.2	21.0	39.6	68.6	55.9	..	..
Indonesia	89.3	5.3	0.5	0.1	7.8	17.7	35.1	24.8	2.0	3.5	7.6	32.1	..
Philippines	68.2	18.1	47.2	66.1	64.3	72.4	52.1	56.6	96.8	116.8	..	..	..
TEA													
Ceylon	8.9	11.2	11.5	11.9	12.8	13.6	14.0	11.5	12.1	13.7	14.4	14.0	..
India	13.4[d]	13.2	17.0	15.5	18.8	16.8	20.2	26.4	14.8	5.8	17.9	..	..
Indonesia	6.0	0.7	3.3	2.7	2.4	3.4	2.9	4.0	2.3	1.8	2.3	4.1	..
Japan	1.4[e]	0.3	0.7	0.8	1.1	1.4	2.3	2.3	0.6	0.5	2.2	2.3	..
Pakistan	..	1.2	1.8	0.9	1.0	0.8	1.3	1.3	0.5	0.3	0.5	1.1	..
COPRA AND COCONUT OIL[b]													
Ceylon	8.7	9.2	10.3	11.1	9.0	8.2	10.5	8.8	6.9	10.8	14.1	15.9	..
Indonesia (copra)	25.8[f]	12.1[h]	23.1	17.1	15.3	14.3	16.2	13.4	10.4	11.4	15.8	12.2	..
Malaya	13.4	7.1	10.4	8.7	8.7	10.0	10.4	9.4	10.5	8.3	9.5	..	..
N. Borneo	0.4	0.3	0.9	0.6	0.7	1.4	1.8	1.4	1.2	1.9	..	..	..
Philippines	28.9[f]	35.3	45.0	40.3	35.1	43.8	50.9	48.5	40.5	39.5	..	..	..
PALM KERNELS AND OIL													
Indonesia (palm oil)	14.2	3.3	8.1	10.1	11.0	11.7	10.8	17.7	5.1	6.8	13.3	8.6	..
Malaya[b]	3.1	4.4	4.5	4.3	4.6	4.7	4.8	4.3	4.8	4.7	5.6	..	..
GROUND NUTS AND OIL[b]													
Hong Kong	1.2	0.4	0.7	0.8	0.5	0.2	0.2	0.2	0.4	0.4	0.3	0.1	..
India	22.0[d]	5.5	5.8	5.6	1.7	2.5	0.8	8.3	24.3	18.8	26.4	..	..
NATURAL RUBBER													
Brunei	0.1	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	..	..
Burma	0.6	0.8	0.8	1.2	0.9	1.0	0.5	1.0[h]	1.9	1.0	0.2	..	..
Cambodia[a]	..	..	..	1.4	1.5	2.0	2.3	2.7‖	2.0	1.5	3.8	..	..
Ceylon	4.2	7.8	8.8	7.6	8.2	7.6	8.7	8.3	9.1	7.5	5.6	..	..
Indonesia	25.5	36.6	67.2	61.8	57.1	61.7	66.6	65.2	52.8	56.7	60.8	..	..
Malaya (net export)	31.4	57.5	51.5	48.4	48.2	48.3	47.6	50.9	55.1	53.3	53.5	49.9	..
N. Borneo	0.8	1.7	1.8	1.6	1.4	1.4	1.5	1.6	1.5	1.6	1.8	..	..
Sarawak	1.5	3.4	3.6	2.7	2.0	1.9	2.0	2.5	2.5	4.0	3.6	..	..
Thailand	3.5	8.1	9.2	8.3	8.1	9.9	9.6	10.9	11.6	9.7	12.3	..	..
Viet-Nam	..	..	4.5	5.3	5.0	4.6	5.1	5.6	4.2	4.2	5.7	..	..
COTTON, RAW													
India	38.6[d]	8.0	2.3	4.4	3.8	2.3	1.4	3.3	4.3	4.1	3.1	..	..
Pakistan	..	13.6	18.3	20.4	23.6	11.8	6.3	7.2	12.1	17.6	14.4	5.1	..
COTTON YARN (tons)													
Hong Kong	..	..	1,732	1,300	1,190	1,172	1,825	1,024	1,139	1,268	1,430	1,368	..
Japan	2,084[e]	458	1,025	1,117	801	1,117	1,346	1,329	788	1,039	900	949	..
Malaya	197	22	167	119	113	54	45	34	22	1	—	..	..
COTTON PIECE GOODS (Mn sq. metres)													
Hong Kong	..	..	12.2[c]	‖10.1	9.3	11.3	8.8	10.4	11.2	15.0	12.1	10.1	..
India (Mn metres)	14.6[d]	23.5	59.1	45.7	50.0	65.6	60.0	68.8	59.1	58.5	58.3	..	..
Japan	200.2[e]	28.2[c]	75.3	52.0	63.7	89.0	82.5	98.4	70.2	68.6	77.9	87.9	..
Malaya	2.0[c]	7.5‖	14.5	9.6	8.0	2.7	2.0	2.4	4.4	4.2	8.2	..	..
JUTE													
Pakistan (raw)	..	28.1‡	88.7	70.0	81.7	74.3	61.5	85.2	95.5	68.6	58.6	88.4	..
India (bag and cloth)	78.9[g]	78.4	67.1	60.0	60.3	67.8	76.4	70.3	64.0	67.7	85.4	..	..
HEMP, RAW													
Philippines	11.8	6.2	10.3	9.1	9.3	8.2	8.2	8.4	9.2	9.4	..	..	..
TIN CONCENTRATES (tons)													
Burma	171	155	125	118	83	67	61	81	81	81	..	..	..
Indonesia	1,160	2,753	2,604	2,929	2,771	2,874	3,181	3,280	2,215	3,004	2,737	..	..
Thailand	1,145	479	748	825	863	806	822	898	937	645	..	..	..
TIN METAL (tons)													
Malaya	5,180	3,998	5,500	5,429	5,228	5,950	6,595	5,608	6,418	5,484	6,696	5,643	..
PETROLEUM AND PRODUCTS													
Indonesia	506	321	506	618	800	824	852	966	773	757	761	891	..
Malaya	84	82	163	204	225	235	235	257	230	198	315	..	..

a. Prior to 1955, including exports through and to Viet-Nam.
b. In terms of oil equivalent; figures under column for 1938 relate to averages for the period 1934-1938.
c. Million metres.
d. Former British Provinces and Indian States.
e. 1936.
f. Average of 1935-1939.
g. Converted at 2.25 lb. per bag and 0.50 lb. per yard of cloth.
h. Excluding exports to Singapore from Indonesia.

EXTERNAL TRADE

9. INDEX NUMBERS OF UNIT VALUE, QUANTUM AND TERMS OF TRADE

1953=100[a]

	1938	1948	1950	1951	1952	1954	1954 III	1954 IV	1955 I	1955 II	1955 III	1955 Oct	1955 Nov
A. Unit Value													
BURMA													
Imports	41‡	141†	189†	130†	115	93	89	95	84	87	..	..	..
Exports	10‡	57†	62†	74†	94	77	76	69	66	68	..	..	..
CEYLON[b]													
Imports: General	20	38	86	102	110	88	98	95	95	89	89	..	..
Exports: General	23	72	104	126	98	112	111	128	140	110	107	..	..
Tea	30	81	102	106	94	126	124	156	173	125	116	..	..
Rubber	25	45	100	165	114	88	91	87	96	96	104	..	..
All coconut products	11	79	114	134	83	94	91	90	87	75	76	..	..
Imports (Central Bank index)	25	85	84	101	108	92	92	90	89	86	88	88	..
Consumer goods	24	85	84	99	107	91	90	88	87	83	84	..	..
Capital goods	27	82	83	107	113	95	96	96	97	96	104	..	..
INDIA[c]													
Imports: General	24‡	85‡	90	110	112	98	98	99	101	101	..	..	..
Food, drink and tobacco	..	..	88	100	118	114	125	115	107	101	..	..	..
Raw materials and semi-manufactures	..	..	88	119	108	98	95	101	100	98	..	..	..
Manufactures	..	..	88	107	110	95	93	93	99	102	..	..	..
Exports: General	21‡	90‡	98	143	117	101	101	109	104	90	..	..	..
Food, drink and tobacco	..	..	90	106	100	118	117	131	136	104	..	..	..
Raw materials and semi-manufactures	..	..	80	106	97	96	95	90	82	72	..	..	..
Manufactures	..	..	125	186	136	96	97	96	98	99	..	..	..
INDONESIA[d]													
Exports: General	7	24	42	62	127	100	101	110	123	113	113	..	..
Estate produce	8	20	37	55	125	99	102	114	124	112	129	..	..
Peasant produce	7	27	46	59	130	100	98	106	122	114	146	..	..
Forest produce	3	26	26	39	94	104	101	91	89	80	79	..	..
JAPAN[e]													
Imports: General	..	118	92	131	115	97	98	95	97	98	96	95	..
Food	..	..	87	102	105	89	87	84	78	89	83	82	..
Crude materials, inedible	..	..	98	154	120	103	106	104	104	105	103	101	..
Textile fibers	..	..	96	154	118	106	109	105	104	110	100	94	..
Metalliferous ore and metal scrap	..	..	64	123	129	90	83	85	86	98	99	104	..
Mineral fuels	..	..	74	102	125	93	95	96	99	99	104	99	..
Chemicals	..	..	68	113	112	76	83	74	81	81	86	115	..
Machinery and transport equipment	..	..	105	99	106	104	120	94	101	95	94	90	..
Exports: General	..	96	77	120	112	98	99	95	96	98	99	97	..
Food	..	..	93	96	98	106	105	102	104	96	91	92	..
Chemicals	..	..	87	104	103	115	118	131	144	135	176	160	..
Manufactured goods	..	..	82	131	118	98	99	95	96	101	103	100	..
Textiles	..	..	98	144	123	101	102	102	104	111	103	100	..
Base metals	..	..	61	124	118	91	93	82	86	99	103	103	..
Machinery and transport equipment	..	..	81	104	99	102	100	99	90	89	77	88	..
MALAYA[f]													
Imports	30	83	95	120	107	90	89	89	94	91	..	..	..
Exports	29	67	116	172	126	93	94	100	114	100	..	..	..
PAKISTAN													
Imports: General	..	..	91	116	102	98	98	109	99	103	..	..	..
Food, drink and tobacco	..	..	91	118	106	124	116	133	123	143	..	..	..
Raw materials	..	..	104	135	112	96	102	86	95	93	..	..	..
Manufactures	..	..	89	113	99	92	92	83	94	94	..	..	..
Exports: General[g]	..	..	143	194	142	107	105	106	114	111	117	..	..
Jute	..	..	157	198	144	104	103	103	116	115	..	..	..
Cotton	..	..	137	209	156	110	107	109	105	97	..	..	..
Wool	..	..	79	129	82	98	95	100	93	104	..	..	..
Tea	..	..	128	121	100	134	129	177	202	174	..	..	..
PHILIPPINES													
Imports[h]	..	..	94	106	105	98	92	94	94	95	..	..	..
Exports	..	..	98	105	82	89	84	83	84	82	..	..	..
THAILAND													
Exports:													
Effective price in Baht	..	82	98	119	104	102	103	103	108	112	..	..	..
Price in US$ (IFS index)	..	97	88	104	102	93	93	93	86	88	..	..	..
VIET-NAM													
Imports	..	..	73	77	83	103	102	102	115	95	..	..	..
Exports	..	..	71	88	86	92	83	96	103	98	..	..	..

9. INDEX NUMBERS OF UNIT VALUE, QUANTUM AND TERMS OF TRADE *(Cont'd.)*

1953=100[a]

	1938	1948	1950	1951	1952	1954	1954 III	1954 IV	1955 I	1955 II	1955 III	1955 Oct	1955 Nov
B. Quantum													
BURMA													
Imports	133‡	68†	64†	69†	104	122	132	130	121	90	..	..	..
Exports	299‡	117†	80†	114†	116	132	106	130	149	159	..	..	..
CEYLON[b]													
Imports: General	62	69	84	94	96	99	99	100	93	103	89	..	..
Exports: General	67	83	92	93	97	103	120	93	98	99	115	..	..
Tea	71	88	89	91	94	108	118	88	100	101	..	..	..
Rubber	54	97	123	107	97	100	122	106	117	92	..	..	..
All coconut products	84	63	83	94	109	96	130	99	84	103	..	..	..
Imports (Central Bank index)	65	74	88	99	99	93	93	98	95	101	90	104	..
Consumer goods	66	75	89	95	98	89	90	92	90	102	89	..	..
Capital goods	63	71	85	109	104	103	104	117	110	96	94	..	..
CHINA (Taiwan only)													
Imports (ordinary and ICA)	..	..	..	..	81	105	120	106	88	117	93	..	..
Exports	..	..	..	..	67	69	53	47	76	90	99	..	..
Food	..	..	..	..	100	104	49	43	77	90	101	..	..
INDIA[c]													
Imports: General	126‡	111‡	105	129	125	105	107	116	115	107	..	..	..
Food, drink and tobacco	..	..	97	195	183	153	67	110	122	72	..	..	..
Raw materials and semi-manufactures	..	..	128	116	129	120	116	98	105	96	..	..	..
Manufactures	..	..	95	110	100	113	118	128	119	128	..	..	..
Exports: General	158‡	92‡	106	105	97	104	106	120	110	110	..	..	..
Food, drink and tobacco	..	..	88	98	94	99	111	140	90	65	..	..	..
Raw materials and semi-manufactures	..	..	124	139	122	89	80	114	161	177	..	..	..
Manufactures	..	..	107	97	90	111	112	113	102	106	..	..	..
JAPAN[e]													
Imports: General	..	24	44	65	73	103	84	85	102	109	103	106	..
Food	..	..	59	81	92	119	97	82	116	127	131	107	..
Crude materials, inedible	..	..	48	68	70	95	75	83	100	119	93	100	..
Textile fibers	..	..	57	73	76	88	67	79	91	99	68	77	..
Mineral fuels	..	..	25	54	65	100	94	92	94	97	88	110	..
Chemicals	..	..	60	47	57	121	86	88	120	148	134	100	..
Machinery and transport equipment	..	..	4	36	53	106	88	99	82	91	85	111	..
Exports: General	..	21	84	89	89	131	133	163	141	148	163	185	..
Food	..	..	44	58	79	100	104	124	97	81	119	142	..
Chemicals	..	..	29	56	62	110	110	110	97	124	78	79	..
Manufactured goods	..	..	93	108	102	145	144	186	158	161	173	188	..
Textiles	..	..	91	99	80	145	144	140	161	214	153	172	..
Base metals	..	..	135	129	165	145	136	243	226	193	171	211	..
Machinery and transport equipment	..	..	47	55	62	106	103	128	124	130	154	192	..
MALAYA[f]													
Imports	63	78	106	141	125	107	110	117	121	..	..	..	..
Exports	72	99	127	133	113	109	115	111	115	..	..	..	..
PHILIPPINES													
Imports[h]	..	..	88	110	99	121	121	131	137	154	..	..	..
Exports	..	..	90	100	113	116	119	117	93	144	..	..	..
THAILAND													
Exports	..	69	114	113	100	88	90	93	115	113	..	..	..
VIET-NAM													
Imports	..	..	72	75	103	113	110	116	71	97	..	..	..
Exports	..	..	111	153	123	113	91	149	119	136	..	..	..

C. Terms of Trade

Percentage of unit value index of exports to unit value index of imports.

BURMA	24‡	41†	33†	57†	81	83	85	73	78	79	..	..	..
CEYLON	116	82	120	124	89	127	113	135	147	124	120	..	..
INDIA	88‡	106‡	110	130	104	103	104	110	103	101	..	..	..
JAPAN	..	81	84	91	97	101	101	100	99	99	103	101	..
MALAYA	96	81	122	144	118	104	106	113	122	110	..	..	..
PAKISTAN	..	..	158	167	140	109	107	97	115	107	..	..	..
PHILIPPINES	..	..	103	98	78	93	91	88	90	86	..	..	..
VIET-NAM	..	..	97	114	104	89	87	95	91	103	..	..	..

a. Original base: Burma, Apr. 1936-Mar. 1941 for the period prior to 1953, 1952 since 1953; China, 1952; Ceylon, 1934-38 for period prior to 1950, 1948 since 1950; India, Apr. 1948-Mar. 1949 for period prior to April 1949, April 1952-March 1953 since March 1955; Indonesia, 1938; Japan, 1934-36; Malaya, 1938 for period prior to 1953, 1952 since 1953; Pakistan, Apr. 1948-Mar. 1949; Philippines, 1948-1949; Viet-Nam, 1949.

b. All trade indexes since 1950 except the annual import price index have been computed on a fixed base (1948) weights method. The annual import price index has been computed by using current weights on 1948 base.

c. Overland trade excluded.

d. Weighted index number of 18 export products at f.o.b. prices. Figures from Apr. 1950 to Feb. 1952 exclude the value of exchange certificates. The rise beginning Feb. 1952 is principally due to the change in the conversion rate of the rupiah from 3.80 (excluding the value of exchange certificates) to 11.40 per dollar.

e. The commodity groups are abridged titles of selected SITC sections and divisions. Unit value index based on prices in terms of dollars.

f. Figures from 1953, though linked to previous figures, have different treatment in imports and exports of petroleum products.

g. Index of f.o.b. export prices.

h. Based on f.o.b. import prices.

10. INDEX NUMBERS OF WHOLESALE PRICES

1953=100[a]

	1948	1949	1950	1951	1952	1954	1954		1955				
							III	IV	I	II	III	Oct	Nov
BURMA													
All agricultural produce	91	112	104	121	103	100	101	101	89	90	101	105	..
Cereals	107	103	105	112	107	101	103	112	99	104	112	113	..
Non-food agricultural produce	72	116	142	148	112	114	112	104	104	101	117	108	..
CHINA (Taipei)													
General index	..	11	45	75	92	102	100	101	109	113	117	124	132
Food	..	12	47	63	78	105	99	100	113	110	110	117	126
Apparel	..	10	32	89	107	94	92	95	107	101	111	117	126
Fuel and light	..	10	55	73	89	106	107	108	108	110	119	130	123
Metals and electrical materials	..	9	44	84	104	102	103	104	118	161	163	181	212
Building materials	..	9	43	62	94	105	102	104	104	112	114	122	133
INDIA													
General index	93	97	102	112	98	98	97	95	91	87	90	91	93
Food articles	98	102	108	108	94	94	95	88	80	74	82	83	86
Industrial raw materials	94	101	109	132	99	97	92	95	93	86	88	88	91
Semi-manufactured articles	89	92	96	106	97	100	99	98	95	92	92	93	95
Manufactured goods	93	94	95	108	103	102	103	103	103	102	101	101	102
INDONESIA (Djakarta)													
General index (imported goods)	28	35	72	99	94	109	112	120	130	141	..	..	..
Provisions	23	21	41	68	84	110	110	118	125	133	..	..	..
Textile goods	34	66	120	109	89	110	116	128	153	173	..	..	..
Chemicals	27	23	58	99	90	108	109	118	135	149	..	..	..
Metals	27	26	60	103	105	98	100	101	103	107	..	..	..
JAPAN													
General index	36	59	70	97	99	99	97	98	99	97	97	98	97
Edible farm products	33	58	68	84	94	112	113	111	113	114	111	110	109
Other foodstuffs	56	93	90	99	102	106	105	107	105	103	103	103	100
Textiles	35	75	91	126	101	92	89	89	89	87	88	86	86
Chemicals	41	56	73	102	109	93	90	89	89	90	90	90	91
Metal and machinery	26	37	59	109	106	94	91	89	94	95	96	100	101
Building materials	32	45	52	77	84	105	102	102	100	96	95	96	95
Fuel	39	59	66	79	101	97	92	100	104	99	99	100	104
Producer goods	31	48	63	96	99	96	94	94	95	94	95	96	96
Consumer goods	44	76	82	99	100	103	102	103	103	101	100	100	100
KOREA[b] **(Seoul, Aug-Dec 1953=100)**													
General index	3	4	7	..	..	124	133	161	187	204	265	261	233
Food grains	2	3	7	..	..	97	108	121	164	216	314	279	220
Textile raw materials	5	7	9	..	..	140	141	191	214	214	243	265	275
Textiles	5	7	9	..	..	132	144	170	162	151	177	169	177
Building materials	2	3	5	..	..	154	157	212	211	232	245	264	255
Fertilizers	1	4	10	..	..	100	100	100	100	100	193	379	274
PHILIPPINES (Manila)													
General index	..	101	98	110	101	95	94	94	93	91	92	94	..
Food	..	112	99	110	107	97	98	97	95	93	95	98	..
Crude materials	..	90	97	101	81	88	83	85	86	82	84	85	..
Mineral fuels	..	92	92	99	105	97	97	96	95	95	95	95	..
Chemicals	..	93	94	120	103	95	93	93	88	88	88	87	..
Manufactured goods	..	87	104	137	109	96	96	94	92	92	91	92	..
Domestic products	..	108	100	108	100	95	94	94	93	92	93	95	..
Exported products	..	91	100	103	82	88	83	85	85	80	80	81	..
Imported products	..	78	95	119	106	98	97	96	93	92	92	93	..
THAILAND[c] **(Bangkok)**													
General index	98	92	94	101	107	98	95	98	102	110	119	122	123
Agricultural produce	103	95	115	135	120	98	96	96	117	123	149	154	155
Foodstuff	93	86	82	82	98	96	92	91	95	106	112	114	116
Clothes	141	129	122	143	131	99	99	101	101	102	103	103	103
Fuel	96	87	92	98	101	103	107	107	108	108	109	109	108
Metal	98	137	120	140	135	97	90	102	124	130	122	128	130
Construction materials	66	73	79	90	97	103	102	105	104	105	105	104	104
VIET-NAM (Saigon-Cholon)													
General index	..	66	64	77	87	105	107	109	108	112	119	129	..
Rice and paddy	..	64	53	57	90	83	87	87	82	91	102	132	..
Other food products	..	60	61	68	77	116	115	115	116	118	115	112	..
Fuel and mineral products	..	69	79	81	82	119	120	120	120	119	119	119	..
Raw materials	..	60	84	120	91	117	118	130	137	133	154	153	..
Semi-finished products	..	69	65	81	86	119	118	125	120	122	121	122	..
Manufactured products	..	87	73	98	92	121	121	119	121	125	125	124	..
Local products	..	63	63	75	89	100	102	104	103	108	119	134	..
Imported products	..	73	68	82	81	118	119	119	120	121	118	116	..

a. Original base: Burma, 1938-40; China, Jan-Jun 1937; India, Sep 1938–Aug 1939; Indonesia, 1938; Japan, 1934-36; Korea, 1947; Philippines, 1949; Thailand, Apr. 1938–Mar 1939; Viet-Nam, 1949.
b. Figures for 1950 relate to average of Jan-Jun and Dec.
c. Agricultural produce includes paddy, rice meal, copra, rubber, etc.; foodstuff includes milled rice, pork, banana, etc.

11. INDEX NUMBERS OF COST OF LIVING

1953=100[a]

	1948	1949	1950	1951	1952	1954	1954		1955				
							III	IV	I	II	III	Oct	Nov
BURMA (Rangoon)													
All items	96	130	110	108	103	96	101	103	91	93	104	102	..
Food	90	128	106	107	104	97	93	92	89	91	103	99	..
CAMBODIA (Phnom-Penh, 1952=100)													
All items	..	..	90	90	100	140	141	140	146	150	162	166	164
Food	..	..	87	85	100	137	137	137	145	147	169	177	173
CEYLON (Colombo)													
All items	91	90	95	99	98	100	99	100	99	99	98	99	99
Food	86	87	96	96	94	100	99	101	100	100	98	99	100
CHINA (Taipei)													
All items	..	10	51	66	85	102	99	101	110	108	111	117	119
Food	..	14	57	62	79	102	97	101	108	103	107	116	120
HONG KONG													
All items	77	86	90	98	99	98	100	96	94	92	97	96	..
Food	70	83	89	95	95	96	98	91	90	87	94	92	..
INDIA													
All-India (Interim index)													
All items	..	94	95	99	97	95	95	93	90	88	91	92	..
Food	..	92	93	95	94	93	93	90	85	81	..	..	..
Bombay													
All items	84	85	86	91	93	99	100	99	95	93	93	91	..
Food	77	81	84	88	91	97	99	98	92	88	89	86	..
Delhi													
All items	94	94	94	101	102	98	96	99	92	88	..	..	..
Food	91	92	92	102	100	97	95	98	88	..	..	..	..
INDONESIA (Djakarta)													
Food	..	..	53	89	94	106	105	112	126	135	143	154	..
JAPAN (urban)													
All items	62	82	77	89	94	106	107	106	106	106	105	106	104
Food	70	88	79	91	94	108	110	107	106	106	104	107	101
KOREA (retail price index)													
Republic													
All items	2	3	7	28	69	135	132	176	197	219	264	252	230
Food	2	2	7	27	78	117	117	135	164	200	256	229	195
Seoul													
All items	2	3	8	..	66	137	137	179	201	222	263	254	228
Food	2	2	8	..	77	116	119	134	167	199	253	231	192
LAOS (Vientianne)													
All items	..	..	50	53	74	123	125	121	123	125	124	..	..
Food	..	..	45	47	70	122	125	117	117	120	119	..	..
MALAYA (Federation)													
Chinese													
All items	..	71	76	100	103	94	92	92	92	91	91	91	..
Food	..	70	73	101	107	90	87	87	87	85	85	85	..
Indian													
All items	..	78	75	101	104	90	88	88	88	86	86	86	..
Food	..	71	76	101	105	90	89	88	88	86	86	86	..
Malay													
All items	..	73	81	101	103	94	92	92	92	91	90	90	..
Food	..	71	78	101	103	90	88	89	89	87	86	86	..
PAKISTAN													
Karachi													
All items	..	88	85	89	90	98	99	98	95	94	95	96	..
Food	..	..	84	89	93	98	98	99	95	93	95	98	..
Narayanganj													
All items	..	94	90	94	101	84	86	83	77	77	90	97	..
Food	..	..	89	93	103	79	82	77	69	70	87	97	..
PHILIPPINES (Manila, Central Bank indices)													
All items	..	99	102	111	103	99	100	100	98	97	98	98	..
Food	..	105	103	111	106	99	102	101	97	96	97	98	..
THAILAND (Bangkok)													
All items	74	71	73	82	91	100	95	94	102	106	104	107	105
Food	77	73	74	81	91	98	90	89	100	104	102	106	103
VIET-NAM (Saigon)													
All items	46	56	57	64	79	113	113	116	116	120	125	136	..
Food	47	56	54	59	80	107	107	111	111	117	124	139	..

GENERAL NOTES: All figures are applicable to working class except the following countries: China, public servants; Hong Kong; clerical and technical workers; Indonesia, government employee; Japan, urban population; Korea, urban working class; Laos, middle class; Thailand, low salaried workers and civil servants.

a. Original base: Burma, 1941; Cambodia, 1949; Ceylon, Nov. 1942 for 1953-52 and 1952 since 1952; China, Jan-Jun 1937; Hong Kong, Mar 1947; India, 1944 for All-India and Delhi, Jul 1933-Jun 1934 for Bombay; Indonesia, Jul 1938; Japan, 1951; Korea, 1947; Laos, Dec 1948; Malaya (Chinese and Indian), Jan 1947; Malay, Jan 1949; Pakistan, Apr 1948-Mar 1949; Philippines, 1949; Thailand, Apr 1938-Mar 1939; Viet-Nam, 1949.

12. EMPLOYMENT AND WAGES

Base for index Numbers, 1953[a]

	1948	1950	1951	1952	1953	1954	1954		1955				
							III	IV	I	II	III	Oct	Nov
CEYLON													
Index of wages													
Tea and rubber estate workers[b]	66	78	97	98	100	102	104	106	106	106	105	105	106
Government workers (Colombo)[c]	86	91	99	99	100	100	100	100	100	106	106	106	106
Index of real wages													
Tea and rubber estate workers[b]	75	83	99	101	100	103	106	106	107	107	107	108	107
Government workers (Colombo)[c]	102	103	107	108	100	100	101	100	101	107	107	107	106
CHINA (Taiwan only)													
Employment[d] (1,000)													
Mining	78.9	43.0	50.4	56.1	57.3	52.7	51.1	52.7	52.6	54.2	..	..	..
Manufacturing	113.5	130.3	162.6	208.5	237.6	257.5	..	..	257.7	257.4	..	..	..
Index of earnings													
Mining	..	35	60	98	100	105	106	114	118	126	..	..	..
Manufacturing	..	32	55	80	100	111	104	115	113	124	..	..	..
Index of real earnings[e]													
Mining	..	76	88	111[f]	100	110	118	121	125	123	..	..	..
Manufacturing	..	71	81	90	100	117	116	122	121	120	..	..	..
INDIA													
Employment[f] (1,000)													
Factories under Factory Act	2,360	2,504	2,537	2,443	2,403	2,492[v]	..	..	..	..	..	..	..
Cotton mills	644	677	714	741	744	741	744	751	749	732	*770*	..	..
Coal mines[g]	308	350	339	342	338	332	326	340	356	337	335	..	..
Central government[h]													
Office workers	..	184	198	209	213	221	219	221	225	232	238	..	..
Manual workers	..	394	393	406	403	412	410	412	409	406	405	..	..
Wages or earnings (Rs.)													
Cotton mills[i] (Bombay)	..	83.56	87.28	89.26	95.96	96.28	97.75	98.83	99.29	94.63	93.96	..	..
Coal mines[j] (Jharia)	2.41[t]	2.40[t]	12.67	13.03	13.18	14.20	14.21	14.10	13.76	14.24	14.47	..	..
JAPAN													
Employment[k] (Mn.)													
All industries	34.60	35.72	36.22	37.28	39.25	39.58	40.35	40.25	37.85	42.48	41.96	43.39	..
Agriculture, forestry & hunting	16.37	17.41	16.17	16.37	17.13	16.67	17.90	16.88	14.31	18.92	18.05	19.14	..
Other industries	18.22	18.31	20.05	20.92	22.12	22.91	22.45	23.37	23.54	23.55	23.91	24.25	..
Mining	0.60	0.49	0.51	0.61	0.62	0.59	0.55	0.69	0.53	0.52	0.49	0.49	..
Manufacturing	6.32	6.23	6.29	6.53	6.74	6.95	6.75	6.83	7.04	6.89	7.10	7.27	..
Index of earnings[m]													
Mining	33	55	71	88	100	102	108	112	98	103	114	104	..
Manufacturing	28	58	75	88	100	106	107	120	98	104	114	102	..
Index of real earning[m]													
Mining	53	72	79	94	100	96	101	105	93	98	109	98	..
Manufacturing	45	76	84	94	100	111	100	113	92	98	108	96	..
Daily money wages of agricultural labour, male (Y.)	185	201	209	230	257	285	293	297	282	307	305	307	..
KOREA													
Index of earnings[e] (Seoul)													
Manufacturing and construction industries[n]	1	4	23	61	100	192	207	248	266	291	327	..	..
MALAYA (Federation)													
Employment[p] (1,000)	461§	462	499	505	487	476	..	..	..	..	..	..	..
PHILIPPINES													
Index of employment[q]													
Mining	..	87	104	108	100	77	76	74	79	79	83	..	..
Manufacturing	..	90	91	91	100	106	104	105	109	109	103	..	..
Index of wages[s] (Manila)													
Skilled	101	103	96	98	100	101	101	101	100	101	101	.	..
Unskilled	92	84	91	97	100	99	99	99	99	102	103	..	..
Index of real wage (Manila)													
Skilled	90	99	87	92	100	101	99	100	103	103	103	..	..
Unskilled	82	81	83	92	100	100	100	101	102	104	105	..	..
THAILAND													
Employment—Mining[f] (1,000)	10.42	13.46	14.77	15.10	14.91	15.50	15.17	15.56	*15.44*	*15.28*	*15.78*	*15.82*	*15.94*
VIET-NAM													
Daily wages§ (Saigon-Cholon, Pr.)													
Skilled	..	29.10[u]	36.30	41.20	54.45	..	..	..	..	..	..	..	..
Unskilled (male)	..	16.40[u]	20.50	22.80	31.75	..	..	..	..	..	..	..	..

a. Original bases for wages or earnings index: *Ceylon*, 1939; *China* 1948; *Japan*, 1947; *Korea*, 1936; *Philippines*, 1941.
b. Daily rates of minimum wages (basic wages plus special allowance).
c. Monthly wage rates for unskilled manual workers in government employment.
d. Staffs and permanent workers at end of period.
e. Daily average of wages and allowances including payment in kind.
f. Daily averages.
g. Average daily employment in all coal mines governed by the Indian Mines Act. Monthly figures are slightly short of total coverage.
h. Central Government establishments excluding railways. Office workers comprise administrative, executive and clerical staffs; manual workers comprise skilled, semi-skilled and unskilled workers. Figures relate to end of period.
i. Monthly minimum basic wages plus dearness allowance.
j. Average weekly earnings (basic wages plus dearness allowance and other payments) of underground miners and loaders in coal mines.
k. Before August 1950, average for calender week beginning first Sunday of each month. From August 1950, average for the week ending on the last day of the month, except for December when the week prior to holiday seasons was chosen.
m. Average monthly cash earnings per permanent worker.
n. Excluding looms.
p. Number employed by government departments, estates, mines, factories and some miscellaneous establishments. Figures for 1950-54 relate to end of June.
q. Comprises all full and part-time employees of 734 cooperating establishments in the Philippines who were on the payroll, i.e., who worked during, or received pay for, the pay period ending nearest the 15th of the month. Excluding proprietors, self-employed persons, domestic servants and unpaid workers.
s. Daily average wage rates of all classes of workers.
t. Average daily earnings in December.
u. First half only.

13. CURRENCY AND BANKING

	1948	1950	1951	1952	1953	1954	1954 III	1954 IV	1955 I	1955 II	1955 III	1955 Oct	1955 Nov
BURMA (Mn. K.)													
Money supply	499[r]	552	606[r]	635[r]	780[r]	852	823[r]	852	1,029	1,039	*1,114*	*1,114*	..
Currency: net active	335	358	398	414[r]	500	568	575	568	714	702	*701*	*717*	..
Deposit money	164[r]	193[r]	208[r]	221[r]	280[r]	284	248[r]	284	315	388	413	397	..
Loans, advances and bills discounted (commercial banks)	73[r]	130	159	151	142	163	138	163	189	170	166	170	..
Bank clearings	151	138	151	181	234	241	241	237	261	261	285	285	313
Foreign assets													
Union Bank of Burma[a]	358	556	748	940	991	555	644	555	491	406	381	410	..
Government	20	9	10	5	14	35	16	35	16	24	27	22	..
Commercial banks	48	41	33	49	67	88	73	88	103	80	109	138	..
Rates of interest (% per annum)													
Call money rate	..	..	1.04	1.64	1.10	0.98	1.00	1.00	1.83	1.25	1.00	1.00	..
Yield of long term gov't bonds	..	3.00*	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	..
Internal gov't debt[b] held by													
Union Bank of Burma	16	20	22	16	6	15	15	15	62	62	64	64	..
Commercial banks	8	27	31	25	68	161	99	161	165	196	249	270	..
Gov't deposits and cash in hand													
Central gov't deposits with the Union Bank of Burma	2	57	77	50	4	8	2	8	5	—	—	—	3
Cash in Government Treasury	15	5	5	3	11	17	9	17	10	9	..	..	..
CAMBODIA (Mn. Ri)													
Money supply	..	..	..	..	..	..	..	..	2,820	3,162	3,692	3,376	3,264
Currency: outstanding	..	..	..	..	..	..	..	..	1,658	1,882	1,745	1,769	1,020
Deposit Money	..	..	..	..	..	..	..	..	1,162	1,280	1,946	2,107	2,244
Foreign assets of Banque Nationale Du Cambodge	..	..	..	..	..	..	..	..	1,278	1,347	1,510	1,674	1,702
CEYLON (Mn Rs.)													
Money supply	607	911	1,006	894	827	957	881	957	954	919	1,012	1,056	1,077
Currency: net active	241	326	377	357	335	342	350	342	343	349	376	383	384
Deposit money	366	585	629	538	492	615	532	615	611	570	636	674	693
Loans, advances and bills discounted (commercial banks)	..	182	257	241	253	307	286	307	348	320	352	340	333
Bank clearings	391	549	691	688	671	684	708	756	785	674	786	751	782
Foreign assets													
Central Bank of Ceylon	460	565	668	401	245	524	468	524	566	602	641	648	640
Government[c]	380	342	367	376	294	278	267	278	299	295	314	317	315
Commercial banks	174	233	209	114	110	154	142	154	192	195	205	215	245
Rates of interest (% per annum)													
Call money rate	..	..	0.50*	0.50	0.96	1.27	1.12	1.12	1.12	1.12	1.12	1.12	1.12
Treasury bill rate	0.22	0.87	0.48*	0.72	1.91	1.59	0.93	0.86	0.75	0.79	0.81	0.82	0.82
Yield of long term gov't bonds	2.94	3.04	2.81	2.93	3.85	3.79	3.62	3.57	3.24	3.11	3.06	3.06	3.09
Internal government debt held by													
Central Bank of Ceylon	..	19	17	161	223	27	84	27	18	20	19	18	18
Commercial banks	184	271	235	302	284	310	291	310	320	303	285	282	280
Gov't deposits and cash in hand													
Government deposits with the Central Bank of Ceylon	..	12	31	6	—	9	9	9	55	72	28	34	18
Currency held by government	4	6	6	5	6	8	4	8	6	8	8	6	6
CHINA (Taiwan only, Mn NTS)													
Money supply	..	642	992	1,275	1,634	2,085	1,923	2,085	2,301[r]	2,484	2,912	2,871	..
Currency net active	..	366	558	712	919	1,140	989	1,140	1,107	1,212	1,334	1,267	..
Deposit money	..	276	434	563	715	945	934	945	1,194[r]	1,272	1,578	1,604	..
Loans, advances and bills discounted (banks other than the Bank of Taiwan)[d]	..	84	138	342	625	954	940	954	1,061	1,245	1,462	1,568	..
Bank clearings	..	138	418	862	1,740	1,720	1,718	2,099	2,098	2,533	2,986	3,395	..
Rate of interest (% per annum)													
Call money rate	..	16.42	10.80	10.80	9.0	7.20	7.20	7.20	7.20	7.20	7.20	7.20	..
Government deposits held by the Bank of Taiwan	..	349	626	776	1,173	1,374	1,449	1,374	1,536	1,749	1,968	2,099	..
HONG KONG (Mn HK$)													
Money supply													
Currency outstanding (notes)	783	808	800	802	802	728	727	728	727	726	726	726	..
Bank clearings	689	1,199	1,506	1,195	1,035	1,140	1,164	1,210	1,142	1,074	1,160	1,200	..
INDIA (1,000 Mn Rs.)													
Money supply	18.84[w]	18.34	17.73	16.83	17.15	18.30	17.67	18.43	19.81[r]	19.88	19.64	20.08	20.14
Currency: net active	12.17[w]	12.03	11.70	11.22	11.53	12.10	11.67	12.19	13.12[r]	13.44	13.09	13.32	13.52
Deposit money	6.67[w]	6.30	6.03	5.61	5.62	6.20	6.00	6.24	6.69	6.45	6.55	6.34	6.62
Advances and bills discounted[e] (scheduled banks)	4.42	4.45	5.54	4.85	4.61	5.10	4.99	5.10	5.90	5.69	5.48	5.47	5.47
Bank clearings	5.55	5.25	6.56	5.71	5.49	5.58	5.69	6.17	6.62	6.24	6.49	6.16	6.74
Gold and foreign assets of the Reserve Bank of India	10.67	8.74	8.21	7.46	7.63	7.71	7.71	7.71	7.70	7.56	7.60	7.52	7.60
Rates of interest (% per annum)													
Call money	0.50	0.58	1.01	2.02	2.12	2.35	1.88	1.83	2.88	2.71	2.38	1.38	2.88
Yield of long term gov't bonds	..	3.11	3.39	3.69	3.64	3.65	3.62	3.71	3.70	3.72	3.73	3.73	3.73

	1948	1950	1951	1952	1953	1954	1954 III	1954 IV	1955 I	1955 II	1955 III	1955 Oct	1955 Nov
INDIA (1,000 Mn Rs.) (Cont'd)													
Internal government debt held by													
Reserve Bank of India[f]	4.38	5.40	5.77	5.53	4.98	4.95	5.14	4.95	5.54	5.82	5.41	5.94	6.01
Scheduled banks	4.26	3.57	3.06	3.23	3.36	3.00	3.46	3.00	3.44	3.47	3.84	3.92	3.95
Non-scheduled banks	0.11	0.10	0.09	0.21	0.14	0.21	0.21	0.21	0.22	0.22	*0.17*	..	..
Government deposits held by the Reserve Bank of India	2.14	1.64	2.10	1.75	1.10	0.55	1.41	0.55	0.59	0.58	0.58	0.49	0.55
INDONESIA (1,000 Mn Rp.)													
Money supply	3.01	4.39	5.13	6.72	7.64	11.08	9.78	11.08	11.60	12.69	12.73	..	..
Currency: net active	1.64	2.58	3.33	4.35	5.22	7.54	6.57	7.54	7.67	8.46	8.57	..	..
Deposit money	1.37	1.81	1.80	2.37	2.42	3.54	3.21	3.54	3.92	4.23	4.16	..	..
Loans, advances and bills discounted (all banks)[g]	0.27	0.68	2.15	2.44	2.39	2.83	2.50	2.83	2.86	3.29	3.58	..	..
Gold and foreign assets of the Bank Indonesia[h]	0.55	1.35	1.94	1.78	2.40	2.89[r]	2.38[r]	2.72	3.09	2.93	3.06	..	..
Advances to government by the Bank Indonesia	..	2.76	1.32	4.56	5.27	8.32	8.01	8.32	8.77	9.80	9.62	8.84	8.13
Government deposits with the Bank Indonesia	..	..	..	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
JAPAN (1,000 Mn Y.)													
Money supply	698	866	1,266	1,636	1,826	1,877	1,658	1,877	1,775	1,746	1,846	1,893	..
Currency: in circulation	338	409	492	554	610	604	485	604	497	544	497	576	..
Deposit money	357	557	774	1,082	1,216	1,273	1,173	1,273	1,277	1,243	1,349	1,315	1,343
Loans, advances and bills discounted (all banks other than the Bank of Japan)	385	997	1,526	2,022	2,563	2,882	2,735	2,882	2,877	2,935	3,008	3,021	3,077
Bank clearings	236	808	1,232	1,624	2,080	2,430	2,372	2,633	2,560	2,621	2,712	2,854	2,823
Gold and foreign assets													
Bank of Japan	..	..	..	18	18	18	18	18	39	65	..	..	..
Government	..	204	334	379	304	350	286	350	351	337	..	..	..
Other banks	..	2	1	23	44	37	31	37	35	54	..	..	..
Rates of interest (% per annum)													
Call money rate (Tokyo)	..	6.40	7.12	8.05	7.82	7.84	8.03	8.03	8.03	7.79	7.30	6.57	5.84
Yield of long term gov't bonds	..	..	5.50	5.50	6.68	7.01	6.32	6.32	6.32	6.34	6.36	6.33	—
Internal government debt held by													
Bank of Japan[i]	331	200	166	324	326	485	202	485	484	375	394	462	449
All other banks	80	37	38	39	46	47	46	47	46	46	46	46	46
Government deposits with the Bank of Japan	14	48	32	92	60	56	42	56	181	59	65	51	65
KOREA (South, 1,000 Mn H.)													
Money supply[r]	0.70	2.89	7.40	14.41	30.67	59.47	..	59.47	61.01	75.93	86.18	85.69	..
Currency: in circulation	0.41	2.23	5.39	9.74	23.33[r]	39.98	..	39.98	35.77	40.60	49.21	45.12	..
Deposit money[r]	0.29	0.66	2.00	4.66	8.36	19.49	..	19.49	25.24	35.34	36.97	40.56	..
Loans, advances and bills discounted[j]	0.43	0.46	1.93	5.78	15.41	18.83	15.21	18.83	21.07	27.77	28.75	29.29	..
Bank clearings	0.21	0.41	2.40	13.69	21.37	51.78	57.15	68.97	78.19	101.76	..	..	..
Gold and foreign assets[k]													
Bank of Korea	..	0.78	2.34	4.79	18.38	19.06	17.45	19.06	19.87	24.27	55.17	52.93	..
Government[m]	..	0.58	1.79	2.64	2.68	4.55	1.51	4.55	4.41	4.36	10.46	9.06	..
Internal government debt held by													
Bank of Korea	..	3.76	8.42	11.96	24.11	66.87	58.31	66.87	69.01	93.71	89.26	95.47	..
All other banks	..	..	0.06	0.14	0.54	0.91	0.86	0.91	0.97	1.10	0.99	1.48	..
Treasury deposits with the Bank of Korea	0.11	0.85	1.88	6.01	12.32	12.51	14.66	12.51	17.87	37.74	23.44	32.80	..
MALAYA (Mn MS)													
Money supply													
Currency notes: net active[n]	302	515	654	630	651	683	648	683	707	739	..	..	..
Deposit money	598	887	1,077	989	835	852	871	852	943	872	..	..	..
Loans and advances of commercial banks	259	461	451	484	437	490	482	490	561	561	..	..	..
Bank Debits[p]	..	..	4,167	3,396	2,946	2,828	2,856	3,007	3,213	3,087	..	..	..
Federation Treasury bills held by banks	30	23	26	14	10	10	10	10	13	5	..	..	..
PAKISTAN (Mn Rs.)													
Money supply	2,698	2,964	3,755	3,220	3,568	3,856	3,588	3,856	3,932	3,976	4,109	4,198	4,403
Currency: in circulation	1,708	1,992	2,467	2,151	2,372	2,575	2,349	2,575	2,634	2,603	2,604	2,699	2,812
Deposit money[q]	990	973	1,288	1,069	1,196	1,281	1,239	1,281	1,298	1,372	1,504	1,498	1,591
Loans, advances and bills discounted (scheduled banks)	410	770	919	792	781	963	790	963	1,028	884	881	961	1,088
Bank clearings[s]	326*	460	551	534	536	559	528	601	586	530	554	583	..
Gold and foreign assets of the State Bank of Pakistan[t]	1,629	1,188	1,627	933	935	1,038	912	1,038	1,033	1,037	1,418	1,468	1,518
Rates of interest (% per annum)													
Call money rate	..	1.01	1.02	2.10	1.01	1.30	0.56	1.72	2.21	1.01	0.80	1.13	1.41
Yield of long-term gov't bonds	..	2.96	2.98	2.98	3.06	3.14	3.14	3.15	3.15	3.14	3.18	3.15	3.15
Internal government debt held by the State Bank of Pakistan	176	810	864	1,214	1,250	1,457	1,387	1,457	1,502	1,488	1,033	1,106	1,150
Government deposits with the State Bank of Pakistan	923	661	582	377	216	173	260	173	258	107	237	186	132

	1948	1950	1951	1952	1953	1954	1954 III	1954 IV	1955 I	1955 II	1955 III	1955 Oct	1955 Nov
PHILIPPINES (Mn P.)													
Money supply	1,145	1,148	1,053	1,089	1,105	1,110	1,091	1,110	1,098	1,073	1,083	..	..
Currency: net active	571	669	639	624	661	671	645	671	656	619	630	641	645
Deposit money	574	479	414	465	444	439	446	439	442	454	453	..	..
Loans, advances and bills discounted (all banks other than the Central Bank)	511	508	686	694	773	845	801	845	869	854	871	..	..
Bank clearings	381	462	457	480	520	550	523	553	574	614	626	645	..
Bank Debits[u]	772	674	733	686	743	814	807	816	860	912	..	..	..
Gold and foreign assets													
Central Bank of the Philippines	800	592	488	472	481	415	475	415	378	384	383	..	..
Other banks	126	148	145	162	134	149	158	149	158	133	138	..	..
Internal government debt held by													
Central Bank of the Philippines	..	158	242	235	230	261	224	261	290	295	353	367	..
Other banks	13	41	35	56	58	77	102	77	77	146	182	..	..
Gov't deposits and cash in hand													
Deposits with Central Bank	..	19	153	98	45	22	41	22	22	99	65	..	..
Deposits with Philippine National Bank	..	81	46	59	95	100	135	100	112	134	161	..	..
Cash in Treasury vaults	..	4	6	7	5	5	4	5	6	3	5	..	..
THAILAND (Mn Baht)													
Money supply	2,881	3,967	4,907	4,932	5,438	6,058	5,674	6,058	6,485	6,677	..	..	..
Currency: net active	2,205	3,043	3,756	3,678	4,016	4,548	4,247	4,548	4,863	4,855	..	..	..
Deposit money	676	924	1,151	1,254	1,422	1,510	1,426	1,510	1,622	1,822	..	..	..
Loans, advances and bills discounted (commercial banks)	414	592	741	1,202	1,649	1,830	2,020	1,830	2,123	2,084	..	..	..
Bank clearings	774	1,544	2,057	2,270	2,366	2,230	2,136	2,256	2,403	2,542	2,629	2,689	2,875
Bank Debits[v]	..	1,973	2,786	2,989	3,196	3,127	2,914	3,182	3,370	3,414	..	..	..
Gold and foreign assets of the Bank of Thailand[r] (Mn US$)	217	288	359	352	302	273	265	273	294	316	298	308	..
Rates of interest (% per annum)													
Treasury bill rate	1.32	2.02	2.10	2.17	2.25	2.27	2.26	2.30	2.28	2.24	2.25	2.28	..
Internal government debt held by													
Bank of Thailand	18	155	166	261	247	191	219	191	160	138	127	125	136
Commercial banks	150	116	118	102	174	131	101	131	136	209	..	..	..
Government deposits with Bank of Thailand	392	317	423	396	698	439	440	439	377	297	390	395	424
Exchange rate (buying): Baht to US$	19.69	22.22	21.40	18.64	18.11	21.20	21.34	21.40	20.63	21.82	22.01	21.41	21.12
Viet-Nam (1,000 Mn. V.N. Pr.)													
Money supply	..	..	..	..	..	..	..	..	14.35	15.30	16.95	17.98	..
Currency: outstanding	..	..	..	..	..	..	..	..	9.78	9.75	11.12	12.38	..
Deposit money	..	..	..	..	..	..	..	..	4.57	5.55	5.83	5.59	..
Foreign assets of Banque Nationale du Viet-Nam	..	..	..	..	..	..	..	..	2.66	3.68	4.59	4.52	..

GENERAL NOTES: All figures, other than bank clearings, bank debits, rates of interest and exchange rate, relate to the end-of month, end-of-quarter and end-of-year as the case may be; bank clearings and bank debits relate to monthly totals and their averages. *Net active currency:* Total currency outstanding less holdings in all banks including the central bank and in government treasuries. *Currency in circulation:* Total currency outstanding less holdings in all banks including the central bank. *Deposit money:* Deposits in all banks (including central bank) withdrawable by cheques but excluding inter-bank liabilities and central government deposits. *Bills discounted:* Excluding treasury bills. *Bank clearings:* Total value of cheques and other collection items cleared through clearing houses. *Gold and foreign assets:* Gross holdings of gold, foreign exchange and other liquid foreign investments. *Rates of interest:* All rates are those prevailing in the capital city of each country except in India where rates in Bombay have been taken. *Call money rate* relates to inter-bank rate on money at call. *Yield of long-term government bonds:* 5 year treasury bonds for *Burma*, 3% national development loan 1965-70 to earliest redemption date for *Ceylon*, yield of 3% paper (running yield) to earliest redemption date for India, weighted yield (simple rate of interest) to latest redemption date of medium dated government bonds issued during the period stated for *Japan*, yield to maturity of 3% bonds 1968 for *Pakistan*.

a. Beginning July 1952 includes foreign assets of the Burma Currency Board.
b. Treasury bills and 3 year and 5 year government bonds.
c. Includes War Loan re-lent to U.K. Government, less the part by Central Bank.
d. Includes the Land Bank, Cooperative Treasury and three commercial banks.
e. Includes bills purchased.
f. Includes loans & advances to government.
g. The Java Bank, Bank Negara Indonesia, Bank Industri Negara and seven commercial banks.
h. Devaluation took effect on 4 Feb. 1952 but foreign assets and gold holdings were not revalued until 6 Feb. 1952 and 13 May 1953 respectively.
i. Includes advances to government.
j. Excluding the Bank of Korea, Reconstruction Bank and trust account of the trust Bank.
k. The decrease in August of gold holdings reflects payment of R.O.K. subscription to I.M.F.; the increase in holdings of foreign exchange (expressed in hwan) reflects the increase of the official exchange rate from 180 hwan/dollar to 500 hwan/dollar.
m. On net basis.
n. Issued by the Board of Commissioners of Currency, Malaya and British Borneo.
p. Cheques sent out for clearing and debits to current deposit accounts.
q. Prior to April 1952 includes inter-bank liabilities.
s. Figures relate in 1948 and 1949 to 2 clearing houses in principal towns; from Jan 1950-Jan 1952 to clearing house in 4 towns and from Feb 1952 in 5 towns.
t. Including outstanding assets receivable from the Reserve Bank of India, under the partition agreements, but excluding foreign assets of Banking Department.
u. Total debits to checking account.
v. Debits to Sight Deposit Accounts except inter-bank.
w. March.

TRADE AGREEMENTS NEGOTIATED AND/OR FINALIZED DURING THE SECOND HALF OF 1955

I. ECAFE INTRA-REGIONAL TRADE AGREEMENTS

Contracting parties	Period valid	Value of trade and principal exports	Method of payment	Remarks
China (Mainland)—Ceylon	1 January—31 December 1956.	Total value: not specified. China: 270,000 tons of rice. Ceylon: 50,000 tons of rubber.	Payment is to be made in pounds sterling.	The present contract is signed to implement the five year trade agreement between the two governments signed in 1952. In addition Ceylon has successfully negotiated for a revision of the prices of rubber exported to mainland China from 1 June to 31 December 1955.
China (Taiwan) Japan	1 April 1955—31 March 1956	Total value: $94 million each way. China: sugar ($46.8 million for 400,000 tons), rice ($25 million for 150,000 tons), fruit ($5.5 million), salt ($2 million), etc. Japan: machinery and transport equipment ($24 million), metal products ($13.2 million), fertilizers ($20 million), textiles ($5 million), etc.	Trade is to be conducted on "Open Account" based on dollar, with a swing limit of $10 million.	The protocal for the extension of the trade agreement signed in June 1953 was signed on 2 July 1955.
India—Indonesia	Till 31 December 1955	Total value: not specified. India: jute goods, tobacco, woollen and cotton piecegoods, cotton yarn, vegetable oil, coal, cement, machinery, chemicals, pharmaceuticals, sport goods, rubber tyres and tubes, electrical applicances, etc. Indonesia: copra, coconut oil, palm oil, essential oils, spices and bettlenuts, timber, tin, rubber, raw hides and skins, rattans, gums and resins, tobacco wrappers, palm kernals, fresh and dried fruits, etc.	Payment is to be made in rupees or pounds sterling.	Exchange of letters regarding the extension of original agreement signed on 30 June 1953 was effected on 16 August 1955.
India—Pakistan	Not specified	Total value: not specified. India: coal, pig iron, iron and steel products (railway equipment and spare parts and heavy structural steel), timber, herb and indigenous medicine, tobacco, spices, textile machinery and parts, road-making equipment, etc. Pakistan: jute and cotton, hides and skins, fish, poultry and eggs, firewood, etc.	Payment is to be made in rupees.	Signed in Karachi on 19 July 1955. The agreement is subject to approval by the two Governments. (See *Bulletin*, Vol. IV, No. 1).
Pakistan—Ceylon	Effective 1 July 1955 and for an indefinite period, subject to termination at any time after 30 June 1956 at the request of either government upon six months' notice.	Total value: not specified, trading to the greatest possible extent. Pakistan: Schedule "A" comprises forty-four items mainly cereals and other foodstuffs, herbs, handicraft products, electrical and other appliances, jute goods, etc. Ceylon: rubber, graphite, coconut oil, copra, spices, citronella oil, tea, coir products, etc.	Not specified.	Signed in May 1955 at Colombo and ratified in August with retroactive effect from 1 July 1955.
Pakistan—Indonesia	Till 31 December 1955	Total value: not specified. Pakistan: sports goods, printed books and journals, cottage industry products, etc. Indonesia: exposed cinema films, rubber, copra, oil.	Not specified.	The extension (of 1953 trade agreement already extended to the end of 1954) announced on 6 September 1955. (See *Bulletin*, Vol. IV, No. 1).
Pakistan—Japan	15 September 1955—31 January 1956	Total value: not specified. Pakistan: raw cotton, jute, hides and skins, chrome ore, etc. Japan: cotton textiles and yarns, rayon and other textile yarns, iron and steel and other metals, capital goods and machinery, chemicals and dyes.	Payment is to be made in pounds sterling.	Signed in Karachi on 21 September 1955 to extend the original agreement for the year ending 14 September 1955.
Thailand—Indonesia	23 November 1955—22 February 1956	Total value: £3.8 million. Thailand exports 100,000 tons of 25 per cent broken rice within three months from date of singing. The prices agreed were £39 per ton for the first delivery and £37 5s. per ton for later deliveries.	Payment is to be made in pounds sterling.	Signed in Bangkok on 23 November 1955.

TRADE AGREEMENTS NEGOTIATED AND/OR FINALIZED DURING THE SECOND HALF OF 1955

II. ECAFE—EXTRA-REGIONAL TRADE AGREEMENTS

Contracting parties	Period valid	Value of trade and principal exports	Method of payment	Remarks
Burma—USSR	Till 3 December 1955	Total value: 20 million rubles each way. Burma: rice. USSR: trucks, cars, road-building machines, pump compressors, transformers, rolled ferrous metals, cables, cement and sulphate of ammonia.	Payment is to be made in pounds sterling.	This is a supplementary agreement contracted in November 1955 in Moscow by the Burmese Trade Mission and in accordance with a protocol signed between the USSR and Burma on 1 July 1955. (See *Bulletin*, Vol. VI No. 2).
China (Mainland)—Czechoslovakia	Through 1956	Total value: not specified. China: mineral products, foodstuffs, tea, silk etc. Czechoslovakia: power generation equipment, machinery, steel products, apparatus, chemicals and petroleum products.	Not specified.	Signed in Prague on 11 November 1955.
China (Mainland)—Egypt	14 October 1955—13 October 1956	Total value: £10 million each way. China: steel materials, machinery, building materials, chemical raw materials, minerals, cereals, oils and fats, animal by-products, tea, silk and silk piecegoods, etc. Egypt: raw cotton, calcium superphosphate.	Payment is to be made in pounds sterling.	The agreement and the protocol for the first year of the agreement (for the exchange of 15,000 tons (45,000 bales) of Egyptian cotton for 60,000 tons of Chinese steel materials) were signed on 22 August and approved on 14 October 1955.
China (Mainland)—Finland	1 May 1955—30 April 1956	Total value: 60 million rubles each way. China: soybeans, oil seeds, tea, silk and other products. Finland: machinery, metal products and paper.	Payment is to be made in ruble.	Signed on 8 August 1955, being the third agreement between the two countries. (See *Bulletin*, Vol. V, No. 2).
China (Mainland)—France	Not specified	Total value: £10 million each way. China: tea, silk, vegetable oils, bristles, intestines, feathers etc. France: steel, machinery, motor vehicles, pharmaceuticals, instruments and industrial chemicals.	Not specified.	Signed in Peking on 5 June 1955 between China Import and Export Corporation (a State enterprise) and French Industrial and Commercial Trade Mission.
China (Taiwan)—France	15 April 1955 to 14 April 1956	Total value: $10 million each way. China: tea ($7 million) etc. France: fertilizers, machinery and equipment, iron and steel products, chemical, etc.	Not specified.	Extension of earlier agreement.
China (Mainland)—Germany (East)	Through 1956	Total value: not specified. China: minerals, animal products, foodstuffs, tea, silk and light industry products. Germany: industrial equipment, power generating equipment, precision instruments, transportation equipment and chemical fertilizers.	Not specified.	Signed on 20 November 1955.
Indonesia—Czechoslovakia	15 July 1955—14 July 1956	Total value: £6 million each way. Indonesia: rubber (18,000 tons), tapioca, kapok, pepper and other products. Czechoslovakia: machinery, Diesel engines, motor vehicles, cement, hardware, paper, matches, cigarettes, textiles, etc.	Payment is to be made in pounds sterling.	Signed in Djakarta on 26 July 1955.
Indonesia—Sweden	Not specified	Total value: Indonesia—89.6 million kroners. Sweden—51.2 million kroners. Indonesia: rubber, tin, sugar, copra and copra cakes, palm oil and kernels, etc. Sweden: matches, cement, pulp and paper, tele-communication equipment, ball-bearing and parts, etc.	Not specified.	Signed in Stockholm in July 1955. (See *Bulletin*, Vol. IV, No. 2 and Vol. I, No. 2).
Japan—Brazil	October to December 1955	Total value: $68 million each way annually Japan: iron and steel products, non-ferrous metals, chemicals, textiles, machinery, ships and agricultural and aquatic products, etc. Brazil: raw cotton, rice, hides and skins, coffee, soybeans, raw wool, vegetable oils, etc.	Trade is to be conducted on "Open Account" based on dollar.	An exchange of notes regarding the extension of trade was effected on 30 September 1955. (See *Bulletin*, Vol. V, No. 4).
Japan—Italy	Not specified, probably one year.	Total value: highest level possible for past three years. Japan: iron and steel products, textiles, agricultural and marine products, and chemicals. Italy: rice, machinery and parts, salt and chemicals.	Payment is to be made on open-account basis until further arrangement to be agreed upon after 15 January 1956.	Signed in Rome on 18 October 1955, See *Bulletin*, Vol. IV, No. 2).

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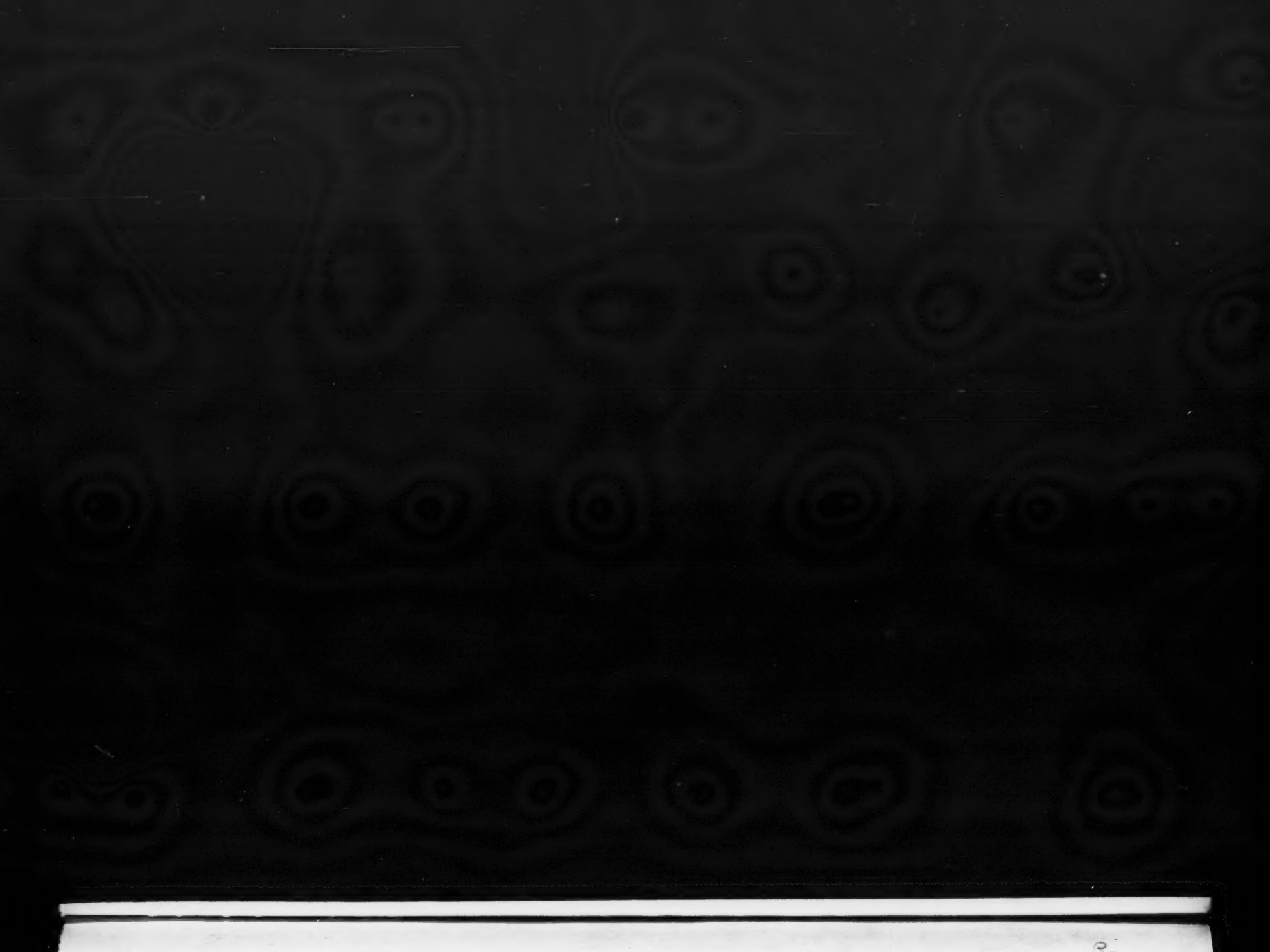
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